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ABSTRACT

This report addresses the sources and remedies for child poverty in the United States through a review of the effects of trends, policies, and changes in social relationships; and an analysis of data concerning poverty and children. An introduction sketches the present condition of children in poverty and the policies and attitudes of the past 30 years. The next section reviews trends in family incomes and poverty, pointing out the antipoverty effects of economic growth and government policies. It also focuses on poverty and income transfer recipiency among children, emphasizing the diversity of the poverty population and analyzing those who are and are not aided by income transfer programs. The third section analyses the effects of changes in family structure and family size on child poverty. The fourth section discusses evidence on persistent poverty and welfare receipt and examines the emergence of an urban underclass. The fifth section analyses some important consequences of poverty for child health and development: adolescent pregnancy and out-of-wedlock childbearing, infant mortality and low birthweight, and others. The paper concludes with an antipoverty agenda for the 1990s. Included are 9 tables, 7 graphs, and an 89-item bibliography. (JB)

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THE CAUSES AND CONSEQUENCES OF CHILD POVERTY IN THE UNITED STATES a/

by

Sheldon Danziger b/ and Jonathan Stern b/

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THE CAUSES AND CONSEQUENCES OF CHILD POVERTY IN THE UNITED STATES a/

by

Sheldon Danziger b/ and Jonathan Stern b/

November 1990

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a/ This paper is part of the background documentation for a study on "Child Poverty in Industrialized Countries: Trends and Policy Options", edited by Giovanni Andrea Cornia and forthcoming in late 1991.

b/ University of Michigan.

The views expressed in this paper are those of the authors and do not necessarily represent the views of the Organization.

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I. INTRODUCTION

Recent demographic, economic and public policy trends indicate that high poverty rates for all black and Hispanic children and for white children living in single-parent families are here to stay. In 1988, the official poverty rates were 43.5 percent for black children, 37.6 percent for Hispanic children and 46 percent for white children living in mother-only families. In contrast, the poverty rate for white children living in two-parent families was 10 percent, and for elderly persons, 12 percent.

The official U.S. poverty line provides a set of income cutoffs which vary by family size. In 1988, they ranged from $7,958 for two persons and $12,092 for a family of four to $24,133 for a family of nine or more. The poverty line for a family of four was about 38 percent of the $32,191 median income of all families and 31 percent of the $39,051 median for a family of four. The official poverty lines have been used for more than 25 years. They are adjusted annually to account for price increases, but they do not vary with real family income. Thus, for example, in 1967, the poverty line for a family of four was about 43 percent of the median for all families.

About 12 million children under the age of 18, about one-fifth of all children, live in families with incomes below the poverty line (about $12,000 for a family of four). In any year, about three-fourths of their families receive some Government income maintenance benefits, while one-fourth, falling past all safety-net programmes, receive nothing. On average, the incomes of their families fall short of the poverty line by about $4,500.

For most white children, poverty lasts only a few years, but many minority children spend their entire childhood in poverty. They live in segregated neighborhoods, isolated from mainstream institutions, in families which lack the incomes necessary to provide them with sufficient nutrition and health care, and attend urban schools which offer fewer opportunities to learn and to escape from poverty.

When the national poverty rate was 20 percent in the early 1960s, President Johnson declared War on Poverty. The planners of the War on Poverty assumed that active Government policies implemented in a growing, full-employment economy would virtually eliminate income poverty, as officially measured, by 1980.

Thus, according to Lampman (1971: page 53):

"While income poverty is a relative matter, I do not think we should engage in frequent changes of the poverty lines, other than to adjust for price changes. As I see it, the elimination of income poverty is usefully thought of as a one-time operation in pursuit of a goal unique to this

generation. That goal should be achieved before 1980, at which time the next generation will have set new economic and social goals, perhaps including a new distributional goal for themselves."

And poverty did decline, from 22.7 percent of families with children in 1964 to 14.2 percent in 1973, as both social spending and the economy boomed.

While the decade 1970-1979 was a period of continued growth in social welfare spending, as these planners had intended, it was also a period of unexpectedly disappointing economic performance. Productivity and economic growth slowed, family income stagnated, and prices and unemployment rose. Given these conditions, the fact that poverty was virtually constant during the 1970s can be viewed as an indication that antipoverty policies were successful in offsetting the increased economic adversity (Danziger and Gottschalk 1985a).

However, the official perspective of the early 1980s, evident in the Federal budgetary retrenchment in social spending, was quite different. Antipoverty programmes themselves were blamed for the failure of poverty to fall during the 1970s as it had during the 1950s and 1960s (Murray 1984).

According to President Reagan:

"With the coming of the Great Society, Government began eating away at the underpinnings of the private enterprise system. The big taxers and big spenders in the Congress had started a binge that would slowly change the nature of our society and, even worse, it threatened the character of our people.... By the time the full weight of Great Society programmes was felt, economic progress for America's poor had come to a tragic halt." (Remarks before the National Black Republican Council, September 15, 1982)

"In 1964, the famous War on Poverty was declared. And a funny thing happened. Poverty, as measured by dependency, stopped shrinking and then actually began to grow worse. I guess you could say, 'Poverty won the War'. Poverty won, in part, because, instead of helping the poor, Government programmes ruptured the bonds holding poor families together." (Radio address, February 15, 1986)

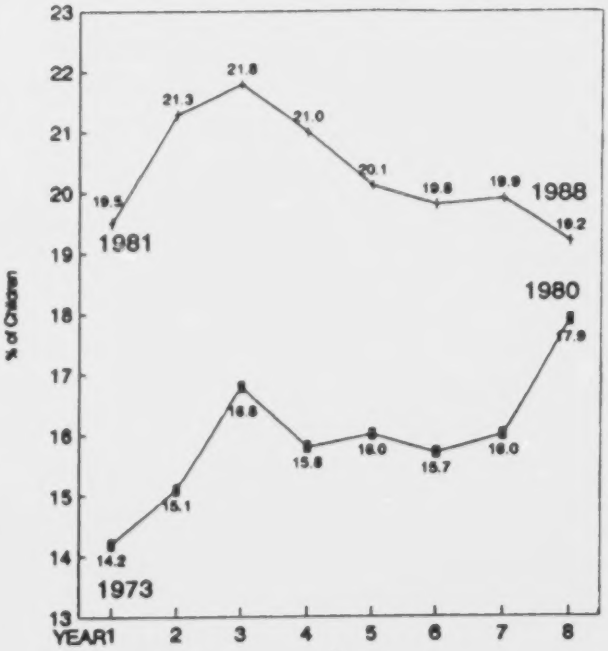
The "Reagan Experiment" assumed that, if Government avoided active interventions in a wide range of domestic policy areas, productivity and economic growth could be increased and prices, unemployment and poverty could be reduced.

The evidence from the Reagan Experiment is now in. Poverty fell somewhat each year after 1983, a year marked by the highest unemployment rate since the Great Depression and the highest poverty rate since the late 1960s. However, the 1988 rates of 13.1 percent for all persons and 19.2 percent for children remained above those of 1979, the last business-cycle peak. The modest decline of 1988 occurred during an unusually long economic recovery, but one

characterized by relatively constant social spending. In addition, income inequality increased. Between 1979 and 1989, the inflation-adjusted income of the poorest one-fifth of families with children fell by about 20 percent, to $7,125, while that of the richest one-fifth increased by about 10 percent, to around $77,000 (U.S. House of Representatives 1990a: page 1,084).

This recent experience demonstrates that economic growth on its own cannot significantly reduce child poverty. Child poverty rose from 14.2 percent to 17.9 percent between 1973 and 1980, averaging 15.94 percent (Figure 1). The rate increased dramatically to 21.8 percent in 1983 and fell somewhat during the ongoing recovery, to 19.2 percent for 1988. The Reagan-era average, 20.3 percent, was 4.4 percentage points higher than that of the prior eight years.

FIGURE 1: CHILD POVERTY RATES
■ Pre-Reagan Years, 1973-1980: 15.9% Average
+ Reagan Years, 1981-1988: 20.3% Average



One way to contrast the experience of these two eight-year periods is to translate the difference in the average child poverty rate into "child years" of poverty. There are currently about 64 million children in the U.S. The difference between the pre-Reagan period and the Reagan period in the total number of child years of poverty was thus about 22 million: The 4.4 percentage-point-per-year difference in the rate times 64 million gives the number of additional poor children in an average year. Multiplying this by 8 yields the additional years of child poverty for the eight-year period.

What does the Reagan Experiment tell us about the ability of a growing economy to reduce child poverty if little attention is devoted to antipoverty policy? Figure 1 shows that poverty fell by 2.6 percentage points, from 21.8 to 19.2, between 1983 and 1988. If the current recovery were to somehow continue until 1998 and if child poverty were to keep falling at this same rate of 2.6 percentage points every five years, the child poverty rate in 1998 would be 14 percent, about what it was in 1973. A more formal (and more realistic) projection of the poverty rate for all persons, based on time-

series regressions in which the official poverty rate is modeled as a function of Congressional Budget Office forecasts of unemployment rates and economic growth, suggests that poverty will fall only modestly as the present economic recovery continues if current antipoverty policies remain unchanged (see Danziger and Gottschalk 1985b for a discussion of the regression model).

Child poverty in the U.S. is not only high in relation to what analysts writing in the 1970s thought it would be by now, but it is also much higher than that in many other industrialized countries (Smeeding and Torrey 1988). If this high child poverty rate is to be lowered significantly, a comprehensive antipoverty effort will be required. Such a programme should build on what has been learned about the causes and consequences of poverty and about those policies which have worked and those which have not. There are some signs in academic and policy discussions that a "new consensus" (Novak et al. 1987) on the nature of American poverty and the means to reduce it has emerged.

Twenty years ago, the prevailing wisdom held that most of the poor were either hard working or unable to work and that "long-term dependency" and "behavioural poverty" were not important problems. For example, the Commission on Income Maintenance (1969: page 2), appointed by President Johnson, advocated a guaranteed annual income because, "more often than not, the reason for poverty is not some personal failing, but the accident of being born to the wrong parents, or the lack of opportunity to become nonpoor, or some other circumstance over which individuals have no control."

Today, many policy-oriented discussions of the "underclass" focus on "the poorest of the poor" and not on "the typical poor person". For example, the American Enterprise Institute's Working Seminar on Family and American Welfare Policy (Novak et al. 1987: page 99) writes that:

> "For such persons, low income is in a sense the least of their problems; a failure to take responsibility for themselves and for their actions is at the core. It would seem to be futile to treat the symptom, low income, rather than the fundamental need, a sense of self."

However, there is a middle ground between the "money only" and the "internal change" positions. Now, an appreciation of the diversity of the poverty population exists, an awareness that the polar views of individual inadequacies and societal inequities each apply to only a small portion of the poverty population. The poverty problem of the elderly widow differs from that of the family whose head seeks full-time work but finds only sporadic employment; the poverty of the family head who works full-time but at low wages differs from that of the family head who receives welfare and either

cannot find a job, or does not find it profitable to seek work.

According to this new consensus, only the poverty of those not expected to work, such as the elderly and the disabled, should be addressed with expanded welfare benefits (see Ellwood 1987). This represents a dramatic shift from the consensus of the 1970s that cash welfare benefits should be universally available (e.g. President Nixon's Family Assistance Plan and President Carter's Programme for Better Jobs and Income). It is now widely accepted that no single programme or policy can meet the needs of the diverse poverty population. There is also consensus on many specific reforms (see later). Yet, little legislation exists to remedy these problems because a major legacy of the Reagan era, the large Federal budget deficit, imposes considerable fiscal restraint even when specific programmes receive wide support.

Although an active antipoverty debate is not yet taking place, there are some grounds for optimism. Both the Tax Reform Act of 1986 and the Family Support Act of 1988 (a welfare and child support reform bill) garnered broad bipartisan support and targeted substantial additional resources to poor families with children. Americans seem to have rejected the Reagan-era view that the Federal Government is the primary cause of the poverty problem and therefore cannot solve it. A consensus now seems to support Government action in a number of areas which were either targets of the budget cuts of the early 1980s or were neglected.

While the critique of the Government's antipoverty role prevented the initiation of new social programmes during the Reagan Administration, no sentiment is now apparent for further cuts in food stamps, child nutrition programmes, Medicaid, or education and training programmes. In fact, concern about the negative consequences of child poverty for America's competitiveness and for children themselves has affected public opinion. Many people now favour an expansion of policies targeted on poor children, especially those focused on child health, nutrition and education.

Because poor children are less likely to receive adequate nutrition and health care, less likely to complete high school and more likely to have children out-of-wedlock, child poverty has negative consequences for the next generation, as well as for today's children. The 12.1 million children who were poor in 1988 comprised about 40 percent of the official poverty population. Thus, although they are only one of the groups at high risk of poverty, they are the largest.

The remainder of the paper emphasizes how this situation developed and

suggests some policies which might reduce the number of children in poverty. It is organized as follows. The next section reviews trends in family incomes and poverty, pointing out the antipoverty effects of economic growth and Government policies. It also focuses on poverty and income transfer recipiency among children, emphasizing the diversity of the poverty population and analysing those who are aided by income transfer programmes and those who are not. The third section analyses the effects of changes in family structure and family size on child poverty. In section IV, the paper then discusses evidence on persistent poverty and welfare receipt and examines the emergence of an urban underclass. Section V analyses some important consequences of poverty for child health and development: adolescent pregnancy and out-of-wedlock childbearing, infant mortality and low birthweight, and others. The paper concludes with an antipoverty agenda for the 1990s.

II. ECONOMIC FACTORS

Trends in Family Incomes and Poverty

Recent trends in family incomes and poverty stand in sharp contrast with those of the 1950s and 1960s. Median family income adjusted for inflation grew by about 40 percent between 1949 and 1959 and by about 40 percent between 1959 and 1969 (Table 1). Poverty as officially measured dropped by about 10 percentage points during each decade. In fact, between 1949 and 1969, real year-to-year changes in the median (not shown in the table) were positive 16 times, unchanged twice and negative only once. In contrast, the period since 1969, especially since 1974, has been one of stagnation. Real median family income in 1988 was only about 6 percent above the 1969 level, although poverty was higher than it had been in 1969. Between 1970 and 1988, there were ten positive year-to-year changes in the median, two years of no change, and six years of negative changes. Furthermore, by historical standards, unemployment was high throughout the 1980s. After rising to almost 10 percent in the early 1980s, the unemployment rate stabilized at about 5.5 percent after 1988.

These macroeconomic conditions have refuted two key expectations of the planners of the War on Poverty. The planners thought that poverty could be alleviated against a background of continuing economic growth because the business cycle could be controlled. This was a reasonable assumption at the time, since median family income growth was positive for each year from 1958 to 1969. They also believed that economic growth, in an economy with low

TABLE 1: FAMILY INCOMES AND POVERTY AND UNEMPLOYMENT RATES
(Selected Years, 1949-1988)

Year	Median Family Income (1988$) (1)	Official Poverty Rate, All Persons (2)	Unemployment Rate (3)	Cash Transfers Per Household (1988$) (4)
1949	15,415	34.3%[a]	5.9	915
1954	18,337	27.3[a]	5.5	1164
1959	21,981	22.4	5.5	1843
1964	25,049	19.0	5.2	2265
1969	30,407	12.1	3.5	2710
1974	30,960	11.2	5.6	3572
1979	31,917	11.7	5.8	3986
1983	29,307	15.2	9.5	4367
1985	30,493	14.0	7.2	4060
1988	32,191	13.1	5.5	N.A.

Source: Current Population Reports, Series P-60, for columns 1 and 2; Economic Report of the President for column 3; Danziger and Gottschalk (1985b) for column 4.

a/ Estimate based on unpublished tabulations from "March Current Population Surveys" by Gordon Fisher, U.S. Department of Health and Human Services.
N.A. = Not Available.

unemployment rates and antidiscrimination policies and education and training programmes in place, would at least be proportional, with all incomes rising at about the same rate. At best, income growth for the poor would exceed the average rate, further reducing poverty. Instead, since the early 1970s, income inequality has increased. Incomes have grown at a lower than average rate for the poorest families and at a higher than average rate for the richest (see U.S. Congressional Budget Office 1988).

Trends in Male Earnings

The most surprising trend in recent years and a major cause of the rise in child poverty has been the increasing percentage of prime-age men who do not earn enough to keep a family of four persons out of poverty (about $12,000 in 1988). While most of those with low earnings are among the "working poor", some do not work at all, and others work only sporadically during the year.

In other words, some low-earners work full-time, full-year, but at a low wage rate, while others earn a "good wage rate", but work too few hours to earn more than the poverty line because of voluntary or involuntary unemployment. In addition, a low-earner may not be poor, as officially measured, if her/his family size is less than four, or if the family has other earners, or sufficient amounts of income from other sources.

Table 2 shows the percentage of men, ages 25-54 and in each of five education categories, whose earnings were below the poverty line for a family of four in selected years between 1949 and 1986. In every year and for each of the three groups, those with more education were much less likely to have low earnings than were those with less eduction. For example, in 1986, while more than one-half of white non-Hispanic men with eight or fewer years of schooling earned less than $11,203, only 10.6 percent of white college graduates earned less than this amount. At every education level, black non-Hispanic men had the highest rate of low earnings, followed by Hispanics and then white non-Hispanics.

The data in Table 2 for the post-1969 period do not show the kind of economic progress that Americans in the immediate post-World War II decades came to expect. For example, between 1949 and 1969, the incidence of low earnings declined dramatically. For all white men, it declined from 40.1 percent to 11.8 percent; for blacks, from 79.7 percent to 32.0 percent, and, for Hispanics, from 67.8 percent to 26.3 percent. Large declines occurred for men in each of the five educational categories. Most of this drop was due to rapid growth in the level of earnings. Between 1949 and 1969, mean earnings (in constant 1986 dollars) for all men between the ages of 25 and 54 more than doubled, from $10,252 to $24,125 (data not shown). As a result, the official U.S. poverty line for a family of four, which is fixed in real terms, fell as a percentage of this mean from 107 percent to 46 percent. However, the incidence of low earnings also fell because inequality decreased over these two decades: Those at the bottom experienced more rapid earnings increases than did those at the top (see Danziger and Gottschalk 1988).

In 1986, mean earnings for all men ages 25 through 54 was $24,288, virtually the same as it had been 17 years earlier. However, the incidence of low earnings (with education held constant) increased dramatically for all the groups. In 1986, 20.6 percent of whites, 42.2 percent of blacks and 41.8 percent of Hispanics earned less than the poverty line for a family of four, representing increases of 8.8, 10.2 and 15.5 percentage points over their respective levels in 1969, despite the higher education levels of 1986. Thus, this period was disappointing both because of the stagnation in the mean of

TABLE 2: MEN, AGES 25-54, WITH LOW EARNINGS, BY EDUCATIONAL ATTAINMENT a/ (1949-1986)

	Percentage of Men with Low Earnings by Completed Years of Schooling					
	0-8	9-11	12	13-15	16+	All Men
White Non-Hispanic						
1949	53.2%	37.8%	30.0%	31.0%	24.5%	40.1%
1959	34.4	17.7	13.2	13.1	10.6	19.6
1969	24.5	12.7	8.3	9.7	7.9	11.8
1979	36.5	24.0	15.3	15.3	10.9	16.8
1986	52.8	38.3	22.6	17.9	10.6	20.6
Black Non-Hispanic						
1949	85.0%	70.4%	63.4%	66.4%	52.8%	79.7%
1959	65.0	45.9	36.7	29.5	18.2	53.5
1969	46.0	32.3	20.0	18.0	16.4	32.0
1979	53.6	44.9	34.0	28.2	17.1	36.6
1986	73.7	55.5	42.7	30.6	22.7	42.2
Hispanic						
1949	76.0%	53.2%	46.4%	*	*	67.8%
1959	57.2	24.6	22.7	23.4	*	43.9
1969	37.7	18.4	16.4	18.4	12.2	26.3
1979	42.7	31.7	26.7	18.4	16.7	31.1
1986	60.9	47.4	35.9	28.3	18.7	41.8

Source: See Table 1.

a/ A man is classified as having low earnings if his earned income from wages, salaries and self-employment is below the poverty line for a family of four: $2,417, $2,955, $3,714, $7,355 and $11,203 in the five years.
*/ Cell size is below 75 men.

earnings and because inequality increased. Those at the bottom earned less than in 1969, while those at the top earned more.

The increases in low earnings were particularly dramatic for less-educated men. For example, in 1986, men with a high school diploma were substantially less likely to have earnings in excess of the poverty line for a family of four than were similar men in 1959. The rate of low earnings for high school graduates increased between 1969 and 1986 by 14.3, 22.7 and 19.5 percentage points for the three race-ethnic groups. High school graduates in 1986 had a rate of low earnings similar to that of men with eight or fewer years of school in 1969.

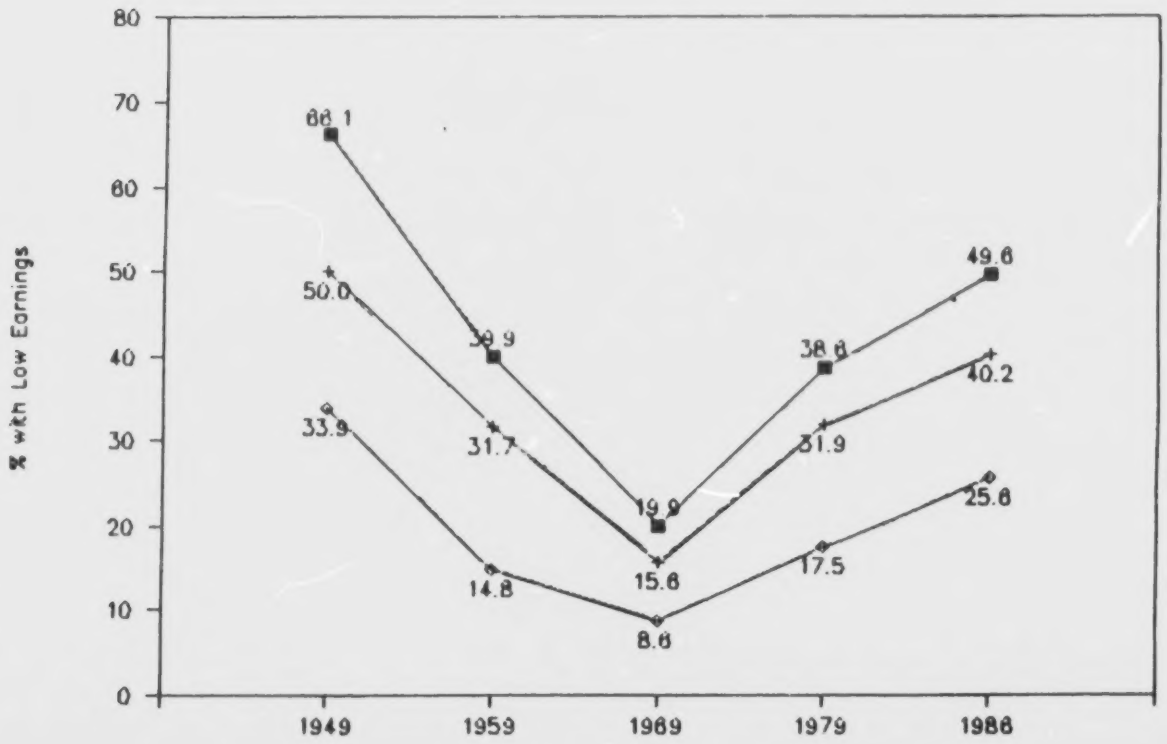
This deterioration in earnings was even greater for younger men. Their experience emphasizes the relationship between education and earnings for recent labour market entrants and demonstrates the economic hardship facing

those who go no further than high school. Figure 2 shows the incidence of low earnings in each of the five years for men ages 25 through 34 who graduated from high school but completed no additional years of schooling. The percentage of young white high school graduates who were low-earners increased from 8.6 percent to 25.6 percent between 1969 and 1986, with the 1986 level substantially exceeding the 14.8 percent level of 1959. For minorities, the percentage point increases after 1969 were even greater.

The data in Table 2 clearly show that high school graduation, relative to the noncompletion of high school, is an economic necessity: The percentage point differences between the low earnings rates of high school graduates and those of the less educated had never been greater. The recent experience also demonstrates, however, that policies designed to increase the high school graduation rate, while necessary, are not sufficient to reduce poverty significantly. In fact, the low earnings rates of college graduates in 1986 were somewhat higher than those of high school graduates in 1969.

By comparing the earnings of men to a fixed poverty standard, the poverty line for a family of four, the analysis thus far has presented a

FIGURE 2: LOW EARNINGS OF MALE HIGH SCHOOL GRADUATES
(Ages 25-34, 1949-1986)
■ Black Non-Hispanic + Hispanic o White Non-Hispanic



picture that is gloomier than is the picture produced by analyses of poverty based on the official definition. The official rates (see Table 1, page 7) are lower in each year than the rates of low earnings shown in Table 2 because the former are based on total family income and thus include income from other sources (e.g. property income and Government transfer benefits) and from other family members (especially working wives) and because they reflect actual family size, which has declined over time and is now typically smaller than four persons.

In sum, the past two decades have been characterized by decreases in the ability of prime-age males to earn an amount sufficient to raise a family of four above the poverty line. However, the increasing earnings of wives and the declining family size (as discussed below) have tended to offset much of the dramatic decline in the ability of men to earn above this poverty line. As a result, official poverty rates have risen only a little. The least-educated have the highest poverty rates in any year and have experienced the greatest deterioration in economic status over time.

Trends in the Contribution of Wives to Family Incomes

For the past several decades, wives in general and mothers of children in particular have increasingly participated in the labour force. For example, in 1968, only 42 percent of married women with children under 6 years of age were in the labour force, while, in 1988, the figure was 68 percent. The corresponding participation rates for all married women with children were 50 percent and 73 percent in these years, respectively. Weeks worked per year among those wives who do work increased from an average of 39 weeks in 1968 to 44 weeks in 1988. Furthermore, while male earnings stagnated, that of women did not. Mean weekly earnings (in constant 1988 dollars) increased among working wives from $247 to $327 during these years. By 1988, the earnings of wives accounted for about one-fifth of family income, roughly double their contribution in 1968.

Wives not only raise the mean, but they also reduce poverty, and, over time, this antipoverty impact has increased. For example, Danziger and Gottschalk (1986) show that, in 1967, the poverty rate for two-parent families with children, which was 9.9 percent, would have been 13.3 percent in the absence of the earnings of wives, and, in 1984, when the rate was 10.6 percent, it would have been 16.2 percent without the contribution of working wives. In other words, because of the increased contribution of working wives, poverty went up only 0.7 percentage points, instead of 2.9 points.

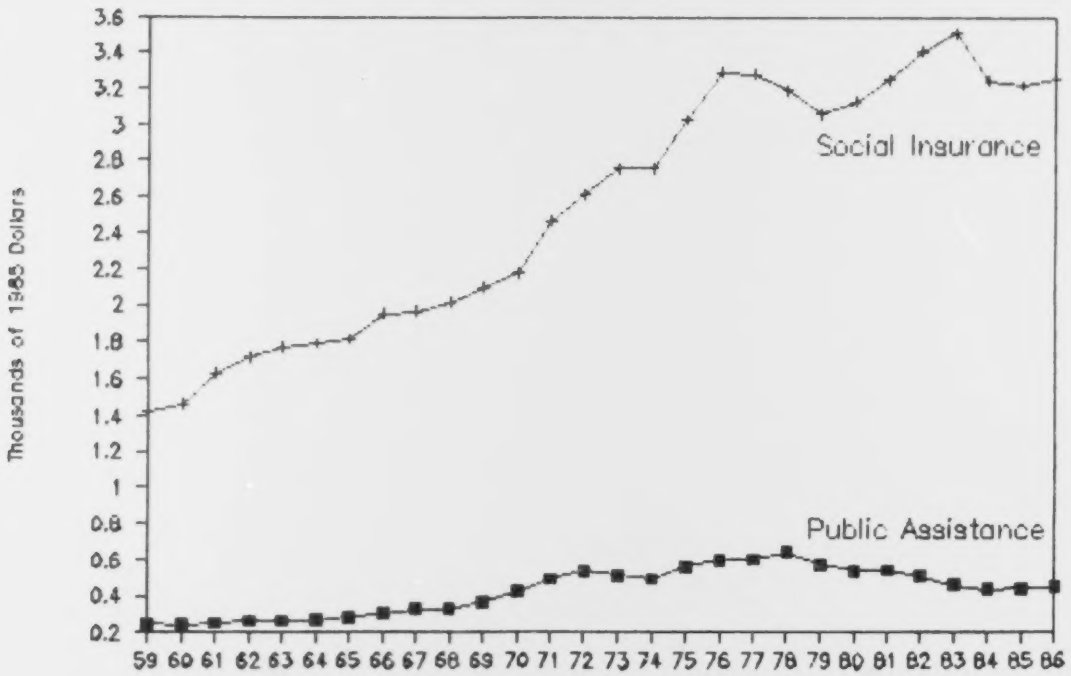
The increased annual earnings of women relative to that of men is attributable in part to the increased work effort of women. However, the wage rates of women have also increased relative to those of men. One source of this change is the increased percentage of women working in higher-status occupations. Another, related to the rise in the incidence of low earnings among males, has to do with the changes in wage rates resulting from the decline in manufacturing relative to service employment. This shift has exerted greater downward pressure on male wages than it has on female wages.

Trends in Government Income Transfers

The 1980s were difficult not only for wage-earners, but also for nonelderly income-transfer recipients. As with the trend in family income, the recent trend in Government support differs from that in the decades immediately following World War II.

Cash transfers per household doubled between 1949 and 1959 and then almost doubled again by 1974 (see Figure 3 and column 4 of Table 1, page 7). However, after 1974, almost all of the growth in transfers was in social insurance, which benefits primarily the elderly, and not in public assistance

FIGURE 3: CASH TRANSFERS PER HOUSEHOLD
(1959-1986)



(welfare) programmes, which disproportionately benefit children. In fact, most of the increased Federal social spending over the past 25 years is accounted for by the expansion and indexation of social security benefits and the introduction and expansion of Medicare, Medicaid and the Supplemental Security Income programme, all of which provide benefits disproportionately to the elderly. Ellwood and Summers (1986) show that spending on welfare, housing, food stamps and Medicaid for those who are neither aged nor disabled made up only 11.9 percent of total social welfare expenditures in 1980, a figure dwarfed by the 66 percent share of spending on social security, Medicare and other programmes for the elderly. As a result, over the period from 1969 to 1985, the elderly experienced large declines in poverty and increases in median family income that differed greatly from the trends shown in Table 1 (page 7) for all persons and all families.

While spending on the elderly increased throughout the period, social spending targeted on children has declined in recent years. Between fiscal years 1978 and 1987, Federal programme expenditures targeted on children declined by 4 percent in real terms, while those targeted on the elderly increased by 52 percent (U.S. House of Representatives 1990a: pages 1,065-1,066). Welfare receipt among poor children increased rapidly after the declaration of the War on Poverty. Less than 15 percent of the poor children in 1960 received welfare benefits. This increased to about 20 percent in 1965 and about 50 percent in 1969 and peaked at about 80 percent in 1973. Welfare receipt then fell to about 50 percent in 1982, before rising to 58 percent in 1988 (U.S. House of Representatives 1985: page 212, 1990a: page 577).

Because of economic and Government programme changes, a smaller percentage of poor children are now removed from poverty by Government benefits. Economic changes have increased the number of poor children, and programme changes have left fewer eligible to receive benefits. The first round of programme changes resulted from legislative inaction: State governments allowed benefits (particularly those for Aid to Families with Dependent Children) to be eroded by the high inflation rates of the 1970s. The second round resulted from programme rule changes and budget cuts implemented in the early years of the Reagan Administration that made it more difficult for the unemployed to receive unemployment insurance and more difficult for welfare recipients to receive benefits if they worked.

In the U.S., the eligibility for unemployment insurance is based on one's work history, and benefit receipt is time-limited. As a result, some of the unemployed, especially new labour market entrants, are not eligible for benefits because of an insufficient work history. Others, especially the

long-term unemployed, have exhausted their eligibility. Figure 4 shows the percentage of unemployed workers covered by unemployment insurance (UI) from 1955 through 1987. Typically, about 45 percent of the unemployed received benefits.

The political economy of UI changed dramatically during the Reagan era. The contrast with the previous decade was particularly striking. In the severe recession of the mid-1970s, Congress had liberalized programme rules. As a result, about 75 percent of the unemployed had received benefits in 1975, the highest point over the 30-year period shown in Figure 4. Even though the recession of the early 1980s was more severe than that of the mid-1970s, the Reagan Administration introduced legislation which restricted the UI programme. Thus, benefit receipt fell to an historical low: Only about 30 percent of the unemployed now receive benefits.

Table 3 shows, for male-headed and female-headed families with children, the trends in poverty and the antipoverty impacts of major cash income transfer programmes. The antipoverty impacts of cash social insurance and public-assistance transfers are measured by the percentage of all pretransfer poor persons that these programmes remove from poverty. The calculations are

FIGURE 4: UNEMPLOYED WORKERS COVERED BY UNEMPLOYMENT INSURANCE
(1955-1987)

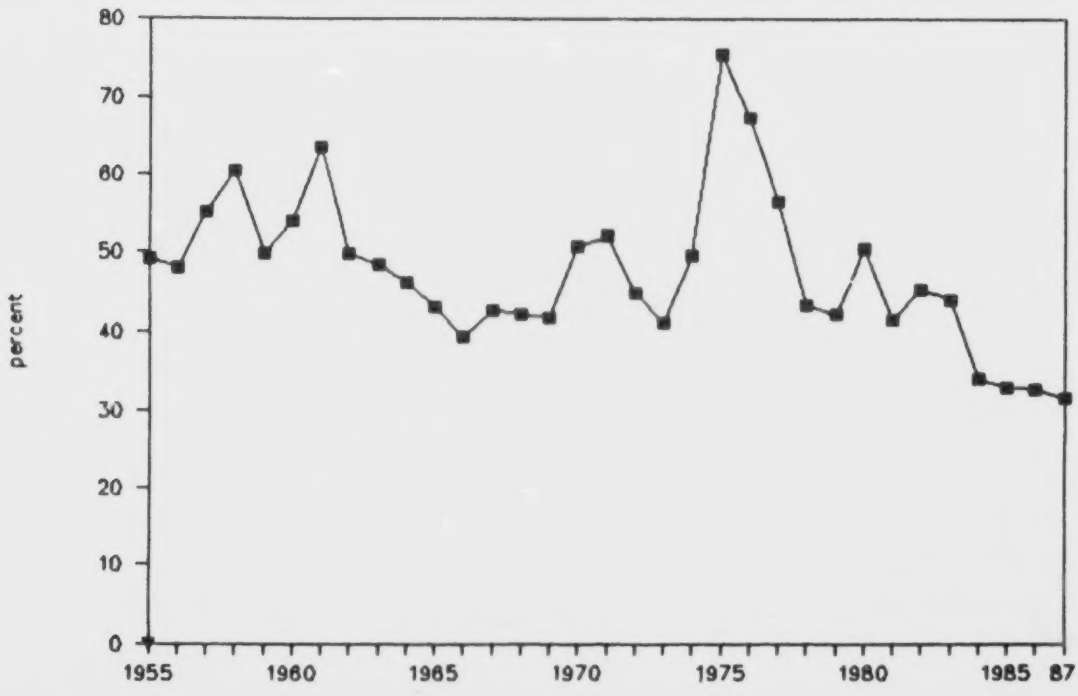


TABLE 3: POVERTY RATES AND THE ANTIPOVERTY IMPACT OF CASH TRANSFERS */
(For Persons Living In Families With Children, Selected Years, 1967-1988)

	Pretransfer Poverty (1)	Prewelfare Poverty (2)	Official Poverty (3)	% of Pretransfer Poor Persons Removed from Poverty by: Cash Social Insurance (4)[a]	Cash Public Assistance (5)[b]
Nonelderly Male Head					
1967	11.5%	10.3%	10.0	10.4	2.6
1969	9.1	8.0	7.5	13.6	5.5
1974	9.8	8.0	7.4	18.4	6.1
1977	10.2	7.9	7.2	22.6	6.9
1979	9.6	7.8	7.2	18.8	6.3
1983	14.7	12.2	11.7	17.0	3.4
1988	11.0	9.2	8.6	16.4	5.5
Nonelderly Female Head					
1967	58.8	52.4	49.1	10.9	5.6
1969	61.0	54.4	48.5	10.8	9.7
1974	59.6	53.1	46.5	10.9	11.1
1977	57.2	51.4	45.3	10.1	10.7
1979	53.5	48.6	43.3	9.2	10.0
1985	57.8	53.2	51.0	8.0	3.8
1988	54.0	50.1	48.1	7.2	3.7

Source: Computations by the author from "March Current Population Survey" computer tapes.

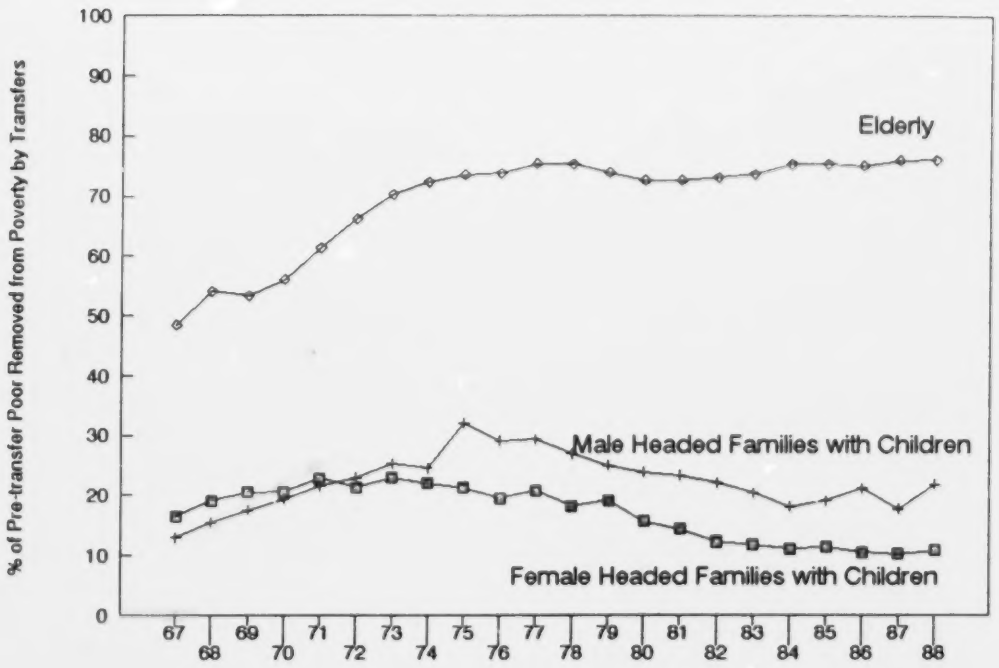
*/ Cash social insurance transfers include social security, railroad retirement, unemployment compensation, workers' compensation, government employee pensions and veterans' pensions and compensation. Cash public assistance transfers include Aid to Families with Dependent Children, Supplemental Security Income and general assistance.
a/ Defined as ((column 2 - column 1)/column 1) x 100.
b/ Defined as ((column 3 - column 2)/column 1) x 100.

sequential, so that all social insurance benefits are first added to pretransfer incomes, yielding the prewelfare poverty rate in column 2. Welfare transfers are then added, yielding the official poverty rate in column 3. Figure 5 contrasts trends in the antipoverty effects of transfers on these

types of families with children to their effects on the elderly in each year from 1967 through 1988.

Poverty rates are almost five times higher for persons in female-headed families than they are for those in male-headed families. Nonetheless, the poverty trends are similar: declines from the late 1960s to the late 1970s, large increases to 1983 and smaller decreases thereafter. As a result, the 1988 rate was very similar to the 1969 rate for each group. Cash social insurance transfers removed a greater percentage of pretransfer poor persons from poverty in all years than the percentage removed by cash public assistance transfers because a greater portion of the pretransfer poor received them and because the average social insurance benefit was higher. The antipoverty effects of both types of transfers increased between the late 1960s and late 1970s, but declined over the last decade. Column 5 of Table 3 shows that, between 1974 and 1988, the decline in the antipoverty effect of cash public assistance (welfare) for female-headed families with children was particularly large. If the antipoverty effect of cash welfare assistance in 1988 had been at its 1974 level, then the official poverty rate for these families in 1988 would have been 44.1 percent instead of 48.1 percent. If current reform proposals could raise the antipoverty effect of welfare to 20

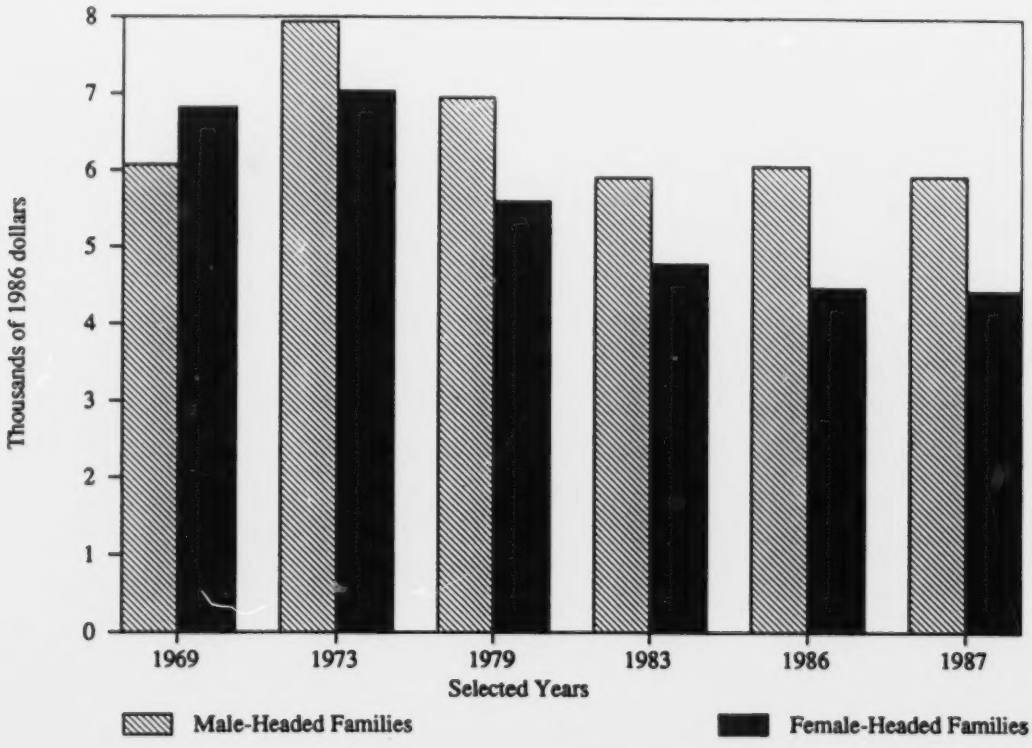
FIGURE 5: THE ANTIPOVERTY EFFECTS OF CASH TRANSFERS
(% Removed From Poverty, 1967-1988)
Derived from columns 4 and 5 of Table 3.



percent (which is likely to be an upper-bound estimate), the official poverty rate for this group would still be almost 40 percent.

Figure 6 shows the mean cash transfers (in constant dollars) received each year by pretransfer poor families with children. In each year after 1969, male-headed families received higher amounts than did female-headed families. This result follows for several reasons. First, the typical social insurance benefit is based on past earnings. Thus, if the unemployed receive a benefit which is 50 percent of the prior wage, then a man's benefit is likely to be higher than that of a woman receiving UI, as male wages on average are higher than female wages. Second, women are more likely to receive welfare benefits, which are not conditioned on previous labour force experience, than social insurance benefits, and welfare benefits are typically lower than social insurance benefits. For example, maximum monthly unemployment insurance benefits in 1990 for a married worker with two children who earns $9.00 per hour, somewhat less than the average wage, has ranged from $536 per month in the lowest-benefit state to $992 per month in the highest (U.S. House of Representatives 1990a: page 475). On the other hand, cash welfare (Aid to Families with Dependent Children) benefits for a family of

FIGURE 6: FAMILIES WITH CHILDREN: MEAN CASH TRANSFERS
(Pretransfer Poor Recipients, 1986 Dollars)



four have been $432 in the median state and have ranged from only $149 to $940 per month (U.S. House of Representatives 1990a: page 556).

Figure 6 also shows a dramatic decline in the average cash benefit received from all programmes over the 1973-1987 period. For male-headed families, the decline was from about $8,000 to about $6,000, for those headed by females, from about $7,000 to about $4,500.

This review of economic and policy trends demonstrates that the period of declining poverty up to the early 1970s was caused by strong economic growth, declining unemployment rates and increased Government spending. After 1973, rising unemployment, declining male earnings and stagnating family incomes raised poverty by more than the amount by which social spending, growing at a much slower rate, could reduce it. Households (particularly those with children) which received little in the way of Government transfers and were most affected by market conditions fared much worse than the average (Smolensky, Danziger and Gottschalk 1988).

Trends in Personal Income Taxes

Family income growth for the poor has slowed in recent years because of poor macroeconomic performance, increased income inequality and reduced government benefits. All the data presented thus far have been based on pretax incomes. However, the posttax position of the poor has been even worse because the taxes on the poor increased steadily from the mid-1970s through 1986. The three devices in the personal income tax that protect the poor from taxation - the personal exemption, the zero bracket amount and the earned income tax credit - were all eroded by inflation over this period and were not affected by the 1981 income tax cuts. In 1975, a family of four with earnings equal to the poverty line paid 1.3 percent of its earnings in Federal personal income and payroll (employee share) taxes; by 1985, this had increased to 10.5 percent, an amount sufficient to offset the value of any food stamps the family might have received.

Changes introduced by the Tax Reform Act of 1986 eliminated Federal income taxes for most poor families with children. The major goal of the Act was to lower tax rates and broaden the tax base by reducing or eliminating many tax preferences. The law now has only two tax brackets, 15 percent and 28 percent (although, because the personal exemption is phased out at higher income levels, some taxpayers face an effective rate of 33 percent).

The major changes benefiting the poor were an increase in the personal exemption from $1,080 to $2,000 by 1989, an increase in the standard deduction

for joint filers from $3,670 to $5,000, and, for single heads of households, from $2,480 to $4,400, and an increase in the maximum earned income tax credit for working poor families with children, from $550 to $953 by 1990. All of these devices were also indexed for inflation. As a result, by 1989, a family of four with earnings at the poverty line was paying 2.3 percent of its income in taxes after paying the employee share of the payroll tax. Thus, the Act offset most of the increased tax burden of the past decade but did nothing to further compensate the poor for the declines in earnings and government benefits of the same period.

Despite these recent pro-poor changes in the personal income tax, the Federal tax system as a whole is less progressive in 1990 than it was in the mid-1970s for two main reasons (see Pechman 1990 and U.S. House of Representatives 1990b for a detailed discussion). First, social security (payroll) tax collections have risen substantially relative to income tax receipts. While the income tax is mildly progressive, the social security tax is mostly proportional with respect to earnings but regressive with respect to family income. Second, the income taxes of the very rich have been cut substantially more than have those of any other group of taxpayers. In 1981, the richest taxpayers faced a marginal tax rate of 50 percent on earnings and 70 percent on property income; in 1990, their marginal rate was 28 percent on all income sources. The effective tax rate paid by the richest 5 percent of families has fallen by about one-fifth and that of the richest 1 percent by more than one-third over the past 20 years (Pechman 1990).

III. FAMILY STRUCTURE, FAMILY SIZE AND CHILD POVERTY

The economic well-being of children has also been adversely affected in recent years by a major change in family structure. The rising percentage of children who live in mother-only families is increasing child poverty because these families have much higher poverty rates than do two-parent families. Table 4 shows the trend in the child poverty rate between 1949 and 1985 for all children and for children classified by family type. There are very large differences in poverty rates when children are classified by the race, as well as by the sex, of the heads of their families. In 1985, less than 8 percent of white non-Hispanic children living in husband-wife families were poor, a rate substantially lower than that of all persons or all elderly persons. The highest poverty rates were those for children living in female-headed families. In fact, the rate for white non-Hispanic children living in female-

TABLE 4: THE TREND IN POVERTY AMONG CHILDREN BY FAMILY TYPE */

	1949	1959	1969	1979	1985
All children	47.6%	26.1%	15.6%	17.1%	19.7%
In white, non-Hispanic families	41.2	18.8	10.4	11.7	12.5
Husband-wife families	39.3	16.9	7.7	7.8	7.9
Female-headed families	73.1	57.7	44.0	41.3	38.2
In black, non-Hispanic families	87.0	63.3	41.1	36.1	41.3
Husband-wife families	85.7	57.9	29.0	19.7	16.0
Female-headed families	93.4	84.4	67.9	61.2	64.3
In Hispanic families	73.0	53.3	33.3	28.3	37.3
Husband-wife families	71.6	51.3	28.8	22.5	25.2
Female-headed families	92.4	74.3	64.3	62.0	68.7

Source: Computations by the author from the computer tapes of the 1950, 1960, 1970 and 1980 Censuses of Population and from the 1986 "March Current Population Survey".

*/ For 1949-1979, 0-14-year-olds; for 1985, 0-18-year-olds. Children in father-only families and those whose parents are not classified as white non-Hispanic, black non-Hispanic, or Hispanic are included only in the top row.

headed families, 38.2 percent, was more than twice the 16 percent rate for black non-Hispanic children living in husband-wife families.

While such a disaggregation is helpful in describing trends, it is not sufficient to identify the factors which determine these trends. One is left with data which are consistent with several divergent interpretations. Consider the well-documented fact that the stability in the poverty rate for all black children in recent years obscures drops in poverty for black children living in each family type. Table 4 shows that, in both 1969 and 1985, the poverty rate for black children was about 41 percent. However, the poverty rate for black children living in husband-wife families fell from 29 percent to 16 percent, and the rate for those in female-headed families declined from about 68 percent to 64 percent. Thus, the stability in the rate for all black children is due to the increased percentage of black children

living in female-headed families. Adverse demographic change appears to have offset positive economic change.

Yet, with only these facts, one is at a loss as to the appropriate policy response. For example, the increased percentage of black children living in mother-only families might have been due to adverse economic conditions which reduced the ability of black males to support their children. In this case, the disaggregated trends are misleading: Because of external economic dislocations, jobless males are more likely to divorce, or do not marry in the first place. To correct for this selective response to economic conditions, one should adjust upward the later-year poverty rates for children living in husband-wife families to account for the missing two-parent families. Stability in the child poverty rate would then be the correct interpretation, and the policy response should focus on economic factors and the reduction of male joblessness (Wilson 1987). If sufficient jobs were not available in the private sector or provided by the public sector, then redistributive policies to increase family incomes would be required.

On the other hand, some analysts subscribe to an alternative view which attributes the rise in the number of children living in mother-only families to moral and behavioural deficiencies and male irresponsibility. Jobs are available, according to proponents of this view, but "the jobless are shielded from a need to urgently seek work by government benefits, or by the earnings of other family members" (Mead 1988: pages 51-52). The decline in child poverty among black children in two-parent families attests to the decline in discrimination in the labour market and shows that, if parents would stay married and remain in the labour force, then the poverty problem would be much less important. Under this scenario, the recent rise in child poverty is attributed not to economic problems, but to attitudinal and family problems. The remedy requires moral suasion, a reduction in the availability of welfare and the enforcement of work and child support obligations (Novak et al. 1987).

Of course, while no one believes that either of these polar views provides a complete explanation for the observed trends in child poverty and living arrangements, a less extreme variation of each could account for some part of the observed trend in child poverty. Unfortunately, no one has yet modeled the determinants of child poverty and living arrangements in such a way as to decompose the trends into a set of demographic, economic and policy factors. This is because the interrelationships among labour market conditions, government programme regulations and individual decisions regarding work behaviour, welfare recipiency, marriage and childbearing are clearly very complex.

Given this caveat, the results of a reduced form model which attempts to sort out the effects of economic and demographic factors on child poverty are now summarized (Gottschalk and Danziger 1990). Table 5 shows the distribution of children by family structure and size in 1968 and 1986. Over this period, the percentage of black children living with two parents declined from 67.8 percent to 42.8 percent, and the percentage of white children in the same type of families, from 93.1 percent to 81.4 percent. There was also a shift toward fewer children per family for both races and for both types of families. For example, the percentage of all black children living in families with four or more children decreased from 57.6 percent to 22 percent, and the percentage for all white children in such families, from 35.1 percent to 11.9 percent.

Table 6 shows the official child poverty rate for children using the classification of Table 5. In each year, the rates for children living in two-parent families are much lower than are those for children living in female-headed families. In fact, a husband-wife family with four or more children is

TABLE 5: THE DISTRIBUTION OF CHILDREN */
(By Family Type And The Number Of Children Per Family)

Family Structure/ Number of Children Per Family	Black Women 1968 (1)	Black Women 1986 (2)	White Women 1968 (3)	White Women 1986 (4)
Husband-Wife Family	67.8%	42.8%	93.1%	81.4%
One	6.4	8.6	12.3	17.3
Two	11.6	15.4	24.9	34.6
Three	11.9	10.3	23.3	19.5
Four or more	37.9	8.5	32.6	10.0
Female Headed Family	32.3	57.2	7.1	18.3
One	2.7	12.0	1.3	5.5
Two	4.7	19.0	1.8	7.3
Three	5.2	12.7	1.5	3.6
Four or more	19.7	13.5	2.5	1.9
All Children	100.0	100.0	100.0	100.0
Weighted Number, Millions	8.3	7.7	57.6	47.0

*/ Totals may not sum to 100% due to rounding. Each child is counted once in Tables 5 and 6. The data are weighted to reflect the population of children living in families in which women under the age of 55 were heads or spouses.

TABLE 6: THE OFFICIAL POVERTY RATE FOR CHILDREN */
(By Family Type And The Number Of Children Per Family)

Family Structure/ Number of Children Per Family	Black Women		White Women	
	1968 (1)	1986 (2)	1968 (3)	1986 (4)
Husband-Wife Family				
One	8.4%	5.5%	3.1%	4.2%
Two	12.9	8.8	3.6	5.8
Three	18.9	16.9	5.5	11.0
Four or more	38.0	25.2	13.2	23.9
Female Headed Family				
One	43.3	38.4	21.6	27.5
Two	54.2	58.5	29.1	35.1
Three	66.1	72.0	47.1	51.9
Four or more	82.6	82.9	61.9	73.4
All Children	42.1	41.8	9.9	14.7

*/ See note, Table 5.

less likely to be poor than is a female-headed family with only one child. Thus, the shift in family structure away from married-couple families was poverty-increasing.

Poverty rates for families of four or more are much higher than are those for smaller families. Thus, the reduction in the number of children per family was poverty-decreasing. There was also a dramatic improvement in the educational attainment of mothers. This explains, in part, some of the decline in the number of children per female. In 1986, 59 percent of black mothers and 32 percent of white mothers had not graduated from high school. By 1986, only 23 percent of black mothers and 16 percent of white mothers were in this low education group.

Gottschalk and Danziger have employed a five-equation regression model and found that the relatively small changes in poverty for all children shown in the bottom row of Table 6 resulted from the large, but offsetting, impacts of these various demographic and economic changes. By far, the major poverty-increasing factor was the trend toward increased female household-headship. However, poverty-reducing declines in the number of children per female and increases in the education of women almost exactly offset the female-headship effect.

Economic stagnation and increasing inequality were also important factors in the disappointing trends in child poverty. Real per capita mean incomes were lower for both black and white children in 1986 than they had been in 1968. These income declines are particularly surprising given the large income-increasing impact of changes in women's educational attainment.

It is certainly true that, if the increase in female headship or income inequality had not occurred, child poverty would have been substantially reduced. However, it is also true that, without the decline in family size and increased educational attainment of women, child poverty rates today would be substantially higher.

IV. PERSISTENT POVERTY, WELFARE DEPENDENCY AND THE UNDERCLASS

The Census Bureau data presented thus far provide a "snapshot" of those who are poor in any given year. However, some persons who were poor last year will experience only brief episodes of poverty. To the extent that their poverty is "transitory" and "self-correcting", it may be of limited policy concern (e.g. a person who was poor last year because she/he was a full-time student, but who graduated, got a job and was not poor this year).

Data from the Michigan Panel Study of Income Dynamics (PSID) now allow researchers to follow the same individuals over almost two decades and thus to identify those who were "persistently poor" and those who were "persistent welfare recipients". Persistence is a subjective concept, and there is no consensus as to how it should best be defined. For example, Adams and Duncan (1987) found that 35 percent of urban residents who were poor in 1979 were poor in at least 8 of the 10 years they examined. However, if they defined persistence for these people on the basis of average annual income over the same 10-year period, 63 percent were found to be persistently poor.

Table 7 (page 26) contrasts annual measures of poverty and welfare receipt with estimates of persistent poverty and persistent welfare receipt for all persons, all children and black children. The estimates of persistence are derived from many recent studies: All use the PSID data, but they differ in the time period covered (e.g. some use 10 years of data, others, 15 years) and in the population examined. Details as to how these estimates were derived are provided in the footnotes to the table. When two high-quality studies have provided different estimates (as in rows 5 and 6), their range rather than a point estimate has been listed.

For each of the rates shown in rows 7 through 13, the poverty situation

of black children is much more severe than is that of white children or all persons. Furthermore, this deficiency increases under persistent, as opposed to annual, measures. For example, black children were about twice as likely as were all children to be poor in 1985 under the official definition (43.2 percent versus 20.1 percent in row 7), but poverty among black children is much more likely to be persistent (row 8). About one-third of all poor children, but more than two-thirds of poor black children, were persistently poor. As a result of high poverty rates and high rates of persistence, poor black children were about five times as likely to be persistently poor (row 9) as were all persons or all children.

Large differentials are alsc apparent in terms of welfare receipt. Among those who were poor on the basis of their prewelfare income, about three-fourths of black children, one-half of white children and one-third of all persons received welfare in 1985 (row 10). An even greater percentage of the persistently poor received welfare during a given year (row 11): almost 60 percent of all persons and almost 70 percent of all children.

A policy which is targeted on about one-sixth of all the poor, i.e. on the long-term welfare recipients, has the potential to aid about one-fourth to one-third of all poor children and about one-half to about two-thirds of poor black children (row 12) because both their poverty and their welfare receipt persist for long periods. It is shocking that, two decades after the declaration of the War on Poverty and in the midst of a robust economic recovery, between one-fifth and one-fourth of all black children were persistently dependent on welfare (row 13) and that almost one-third (row 9) were persistently poor.

The term "underclass" has been increasingly used to describe some subset of those who are persistently poor and dependent on welfare for long periods and whose situation seems mostly immune to aggregate economic conditions and existing social programmes.

Wilson (1987: page 8) defines the underclass as:

> "that heterogeneous grouping of families and individuals who are outside the mainstream of the American occupational system. Included... are individuals who lack training and skills and either experience long-term spells of poverty and/or welfare dependency."

According to Wilson, the social isolation and geographic concentration of the underclass combine to make the problems of these people more severe and their escape from poverty more remote.

There is no consensus on the size of the underclass, but most researchers cite figures of two million to three million persons, about 10

TABLE 7: POVERTY AND WELFARE RECEIPT:
1985 LEVELS AND ESTIMATES OF PERSISTENCE */

	All Persons (1)	All Children (2)	Black Children (3)
Persons (millions)			
1. Population totals[a]	236.75	62.02	9.41
2. Official poor[a]	33.06	12.48	4.06
3. Prewelfare poor[b]	35.17	13.02	4.23
4. AFDC recipients[c]	10.90	7.23	3.25
5. Persistently poor	11.57[d]-20.83[d]	2.98[e]-4.71[f]	2.72[e]-3.20[f]
6. Persistent AFDC recipients	5.92[g]	2.98[h]-4.05[i]	1.96[h]-2.54[i]
Rates (percentages)			
7. Official poverty rate (rows 2/1)	14.0	20.1	43.2
8. Persistent poverty as a percentage of official poverty (rows 5/2)	35.0[d]-63.0[d]	23.9[e]-37.7[f]	67.0[e]-78.8[f]
9. Persistent poverty as a percentage of population (rows 5/1)	4.9[d]-8.8[d]	4.8[e]-7.6[f]	28.9[e]-34.0[f]
10. Percentage of prewelfare poor receiving welfare (rows 4/3)	31.0	55.5	76.8
11. Percentage of persistently poor receiving welfare in a given year[j]	57.0	69.6	n.a.
12. Percentage of official poor who are persistent welfare recipients (rows 6/2)	17.9[g]	23.9[h]-32.5[i]	48.3[h]-62.6[i]
13. Percentage of population that is persistently welfare dependent (rows 6/1)	2.5[g]	4.8[h]-6.5[i]	20.8[h]-27.0[i]

Source: Danziger (1989).

*/ Notes on following page.

a/ Total U.S. population and official poverty counts are from the U.S. Bureau of the Census (1987).
b/ The estimates of the persons who would have been poor in the absence of cash welfare benefits are based on computations by the author from "March 1986 Current Population Survey" computer tapes.
c/ Average monthly numbers of the recipients of Aid to Families with Dependent Children (AFDC) in fiscal years 1985 and 1986 are from U.S. House of Representatives (1987): page 429.
d/ Adams and Duncan (1987) report that 35 percent of urban residents who were poor in 1979 were poor in 8 of the 10 years between 1974 and 1983; 63 percent were poor "on average", meaning that their 10-year average income was below the 10-year average poverty line.
e/ Duncan and Rodgers (1988) find that 4.8 percent of all the children and 28.9 percent of the black children who were less than 4 years old in 1968 were poor for at least 10 of the 15 years between 1968 and 1982.
f/ Ellwood (1987) finds that 7.6 percent of all children and 34 percent of black children born between 1967 and 1972 were pretransfer poor for at least 7 of the 10 years between 1972 and 1982.
g/ Duncan et al. (1984: page 75) report that 8.1 percent of persons received cash welfare or food stamps in 1978 and that 4.4 percent of persons had received welfare for 8 or more years between 1969 and 1978. This ratio, 4.4/8.1 = .54, was multiplied by the number of Aid to Families with Dependent Children (AFDC) recipients from row 4, column 1.
h/ Hill (1983) finds that, among 1-to-6-year-olds in 1970, 4.8 percent of all the children and 20.8 percent of the black children were dependent on cash welfare or food stamps (i.e. welfare income was at least one-half the total annual income of their parents) for at least 6 of the 10 years between 1970 and 1979.
i/ Ellwood (1987) reports that 56 percent of Aid to Families with Dependent Children (AFDC) recipients were expected to have welfare careers of 10 or more years. Because his reported "spell-lengths" for blacks exceeded those for whites, the corresponding proportion of blacks is estimated at 78 percent.
j/ Adams and Duncan (1987) find that these percentages of the persistently poor received Aid to Families with Dependent Children (AFDC) or general assistance in a single year (1979).

percent of the official poverty population. A definition which incorporates the concept of neighborhood effects - for example, that the underclass is composed of those who both engage in work and family behaviours that deviate from the mainstream and live in areas with high concentrations of poverty and "nonmainstream" behaviours - will obviously yield a smaller count of the underclass than will a definition based either on either behavioural dimensions, or the geographic concentration of poverty.

The exact size of the underclass is not an important issue for the major thrust of this paper. Important rather is the fact that poverty, child poverty in particular, is high in the U.S. in 1990 relative to the situation in many other industrialized countries and relative to what researchers and policy analysts had predicted for this date.

Most poor children are poor for periods lasting less than several years. As a result, their poverty may not seriously affect their development, and

this type of poverty could be easily remedied by a comprehensive antipoverty initiative. However, the prospects for the future well-being of children who are persistently poor, especially the children of the underclass, are much worse. The kinds of antipoverty policies now on the public agenda (see section VI) are not likely to address adequately the very severe and multiple disadvantages which these children face.

V. THE CONSEQUENCES OF POVERTY

Children are increasingly being raised in single-parent families, especially families maintained by women who are unwed or adolescent. These children experience much higher single-year poverty rates, longer spells of poverty and more severe economic hardship than do other poor children. Regardless of family structure, spending one's early years in poverty often leads to negative cognitive, social and health status outcomes and increases the likelihood that a child will become a poor adult.

Young women who start their families as adolescents or before marriage form a group which tends to pass on poverty to subsequent generations. Pregnant, poor and teenage women are often underserved in terms of access to prenatal care and other social services and thus contribute to high rates of low birthweight infants and infant mortality. Even when a poor infant survives the first year, s/he is more likely to be exposed to a variety of risk factors, including stress, inadequate social support and maternal depression, that is associated with a host of negative developmental outcomes, including cognitive deficiencies, health difficulties and poor academic achievement (Parker et al. 1988). These are the central consequences of childhood poverty reviewed here.

Adolescent and Out-of-Wedlock Childbearing

The U.S. has higher rates of adolescent and out-of-wedlock childbearing than do many other industrialized countries. Part of this differential is caused by the higher poverty rates in the U.S. and explains why such childbearing problems are more prevelant for blacks and other minority groups which are the most disadvantaged. Another part of the differential is caused by inadequacies in the family planning system, in particular, the fact that teenagers and the poor in the U.S. experience more difficulty in receiving contraceptives than do these groups in other countries.

Adolescent and out-of-wedlock childbearing is not only a consequence of poverty for the mothers, but it is also a cause of poverty for the current generation of children. A number of recent studies document that teenage pregnancy and out-of-wedlock childbearing are higher among children who have been raised in low-income and single-parent families. In a study of fertility among black adolescents, Hogan and Kitigawa (1985) found that those from poor families were more likely to be sexually active and that the rate of first pregnancy for lowerclass teenagers was 95 percent higher than was the rate for upperclass adolescents. This association is only partly attributable to neighborhood factors and the parenting styles and career aspirations of the adolescent women.

Hogan and Kitigawa also found that adolescents from single-parent homes were 36 percent more likely to be sexually active and to have premarital births than were those from two-parent households. Parents (mothers) in these homes were less likely to assert control over their children, so these youths initiated sexual activity earlier. Another strong predictor of adolescent pregnancy was the presence of a sister who had had that experience, thus enhancing acceptance of early parenthood. Hogan and Kitigawa also believe that poverty, that is, "economic uncertainty", tends to delay marriage, thereby raising the risk of premarital pregnancy.

McLanahan (1988) estimates that living with a single parent at age 16 raises a daughter's risk of becoming a single parent by 72 percent for whites and 100 percent for blacks. About 25 percent of this effect is attributable to family income. Plotnick (1987) and Card (1981) also found that, when economic and social factors were held constant, there were significant negative long-term consequences for the children of teenage parents.

Approximately 10 percent of all women aged 15 to 19 become pregnant in the U.S. each year (Jaffe and Dryfoos 1978, Pittman and Adams 1988). Because many of these pregnancies are terminated through abortions and miscarriages, there are almost 500,000 births to women under 20 years of age, accounting for 12.7 percent of all births in 1985 (see Table 8, row 1). This number represents both historical progress and a cross-national failure. The proportion of births to teenagers has been declining since the mid-1970s, but the U.S. ranks first among developed nations for adolescent birth rates. The U.S. rate per 1,000 teenagers in 1981 was 52.7, while it was 28.6 in Great Britain and 14.3 in Sweden. The adolescent birth rate for black Americans was far and away the highest among any population group in the developed world (Westoff et al. 1983).

The percentage of all births to teenagers has fallen since 1973 because

TABLE 8: BIRTHS TO ADOLESCENT AND UNMARRIED WOMEN
(As A Percentage Of All Births)

Percentage of All Births to:	1950	1960	1970	1975	1980	1985
1) Women < 20 years of age	12.3	13.9	17.6	18.9	15.6	12.7
2) Unmarried Women < 20 years of age	1.7	2.2	5.4	7.4	7.5	7.4
3) Unmarried Women	4.0	5.3	10.7	14.2	18.4	22.0

Source: Zill and Rogers (1988).

adolescents have come to constitute a smaller proportion of the overall population and because their birth rates have also dropped. Increased education of women, improvements in contraceptive technology and increased access to abortion have all contributed to the decline in fertility.

The recent period has been characterized by a slowdown in the rate of income growth and increasing disparities between the more- and the less-skilled populations. Some authors (e.g. Wilson 1987) argue that these economic changes have made many men "unmarriageable". As a result, marriage rates have fallen, marital fertility has decreased more rapidly than has nonmarital fertility, and an increasing percentage of children are being born out-of-wedlock. Births to unmarried women rose from 4 percent to 22 percent of all births between 1950 and 1985 (Table 8, row 3). In 1985, 14.5 percent of all births to whites and 60 percent to blacks involved unmarried women. Because of the decline in marriage and despite a falling teenage birth rate over the past three decades, the percentage of births to unmarried teenagers rose rapidly (Table 8, row 2).

This increase in the percentage of children living with young and unwed mothers creates risks for the health and development of children and threatens to reduce the productivity of the next generation. Poor women, unmarried women and teenagers are least likely to receive adequate nutrition or live in healthy environments.

Infant Mortality and Low Birthweight

Any examination of the consequences of poverty on the well-being of children starts with the youngest children, those in the first year of life, and with the most basic measure of well-being, survival. Infant mortality in the U.S. has been declining for decades. At issue is the fact that the rate has not fallen as rapidly as it has in other developed countries. How much of this poor relative performance is due directly to problems of poverty (e.g. poor living conditions), and how much is due indirectly to the fact that the poor do not have access to the full range of health care services?

In 1940, the infant mortality rate (IMR) was 47 deaths per 1,000 live births. It had plummeted to 9.7 by 1989, a 79.4 percent drop (Table 9 and Figure 7). The periods of greatest decline were the 1940s and the 1970s, two decades during which income growth was rapid and poverty rates were declining. The fall in the IMR slowed in the 1980s. In the 1950-1955 period, the U.S. IMR had ranked sixth among 20 industrialized nations. The 10.1 IMR in 1987

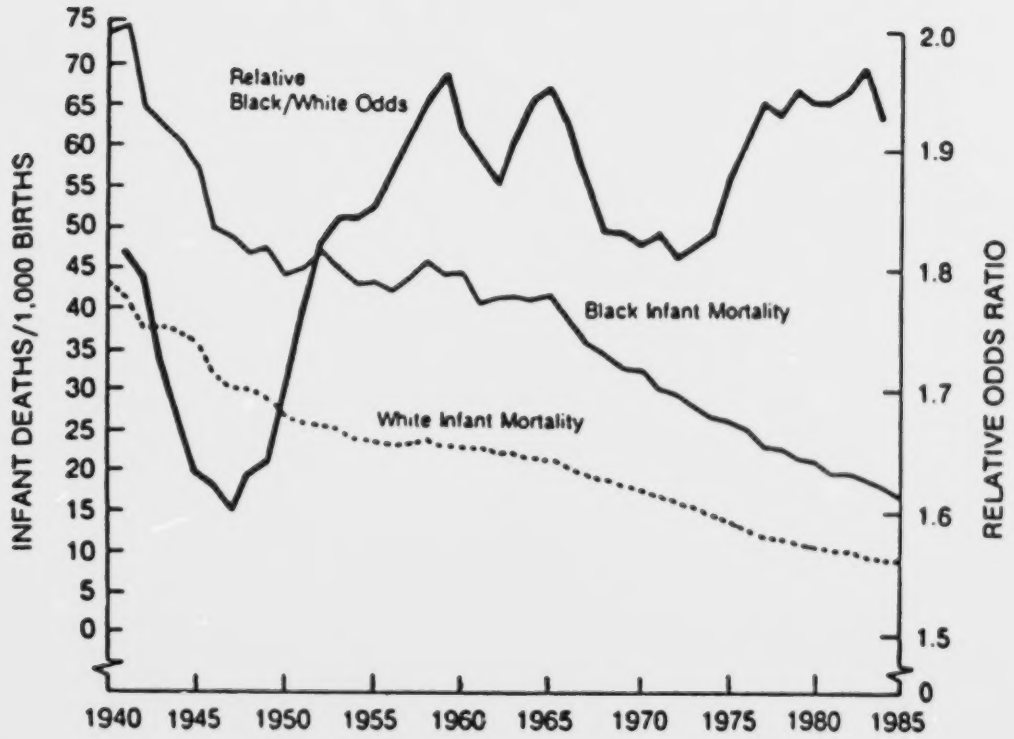
TABLE 9: INFANT MORTALITY RATES, BY RACE
(Deaths Per 1,000 Live Births, 1940-1989)

YEAR	BLACK	WHITE	TOTAL
1940	72.9	43.2	47.0
1950	43.9	26.8	29.2
1960	44.3	22.9	26.0
1965	41.7	21.5	24.7
1970	32.6	17.8	20.0
1971	30.3	17.1	19.1
1972	29.6	16.4	18.5
1973	28.1	15.8	17.7
1974	26.8	14.8	16.7
1975	26.2	14.2	16.1
1976	25.5	13.3	15.2
1977	23.6	12.3	14.1
1978	23.1	12.0	13.8
1979	21.8	11.4	13.0
1980	21.4	11.0	12.5
1981	20.0	10.5	11.9
1982	19.6	10.1	11.2
1983	19.2	9.7	10.9
1986	18.0	8.9	10.4
1987	17.9	8.6	10.1
1988	n.a.	n.a.	9.9
1989	n.a.	n.a.	9.7

Source: Children's Defence Fund (1988).

n.a. = not yet available.

FIGURE 7: INFANT MORTALITY RATES, BY RACE
(1940-1985)



Source: Data from the National Centre for Health Statistics.

put the U.S. last among 20 developed nations (the place the country currently holds), far behind Japan (5.2), Finland (5.8) and Sweden (5.8). The U.S. has fallen behind such nations as Hong Kong, France and Japan where the IMR in the 1950-1955 period was 1.5 to 2.5 times that of the U.S. rate (Rosenbaum 1989).

The rates for black Americans have also declined, but they have usually been about twice that of whites (Table 9 and Figure 7). There is also a large variation among the states. Some of this variation is due to differences in the economic well-being and access to health care in these states. The highest IMR for blacks by state occurred in Illinois and Michigan (22.3 and 22.8, respectively), both of which have large urban centres of highly concentrated poverty and above average poverty rates among blacks (in the mid-1980s, the black poverty rate was about 30 percent in the U.S., but it was 39 percent in Illinois and 37 percent in Michigan). The lowest IMRs for blacks were in Kentucky and Washington (12.7 and 13.5), two states where black poverty was about the U.S. average.

Massachusetts, Connecticut and New Jersey, with IMRs just below 8, were

the best for whites. These states had among the lowest white poverty rates - under 5 percent - and about one-half the white poverty rate of a typical state. Idaho and Wyoming had the highest white IMRs (11.3 and 10.8, respectively). The poverty rate for whites in Idaho, 13 percent, was one of the highest in the U.S. The simple correlation between a state's poverty rate and its infant mortality rate is 0.44.

Thus, the IMR for whites in some states compares quite favourably with that of the countries with the lowest rates. Similarly, the highest state IMRs for blacks are as high as those in the Third World. Such large variations by race and across states (with race held constant) reflect wide disparities in income, access to medical care and other aspects of the social environment.

However, change in the IMR over time is not solely dependent on economic conditions. Access to health care has been particularly important. Social security legislation in 1935 and later programmes designed to improve maternal and child health have helped bring about a substantial portion of the post World War II declines in IMRs (Starfield 1988). Most of these declines have occurred in the postneonatal rates, indicating an improved delivery of care to these children and improved nutrition and housing conditions. During some periods when the economy grew rapidly, for example between 1950 and 1965, white IMRs fell only modestly (from 26.8 to 21.5), and the black infant mortality rate fell even more slowly (from 43.9 to 41.7).

There was a sharp downturn in IMRs after 1965, when Medicaid was instituted. Medicaid greatly expanded the access of the poor to medical care, especially prenatal services. Another downturn in IMRs, that which occurred after 1973, can be attributed to the increased availability of legal abortion services, including confidential access to abortion for adolescents. The women most likely to abort - those with medical difficulties or those having an unwanted or out-of-wedlock child - are those whose infants would be at higher risk (Klerman and Parker 1990).

The mid-1980s were characterized by relative stagnation in IMRs, despite the economic recovery which had begun in 1982. Although incomes are higher now than they were in the early 1980s, poverty is still above the level of the 1970s, and inadequacies in access to medical services remain. For example, in 1983, only 75 percent of pregnant white women and 50 percent of pregnant black women had the minimum nine prenatal visits recommended by the American College of Obstetricians and Gynaecologists (Collins 1989).

Low birthweight is a major contributor to infant death. Seventy-five percent of all neonatal mortality is associated with low birthweight, while most postneonatal deaths occur among babies of normal birthweight. While

neonatal death rates are most sensitive to technological changes, death rates among infants later in the first year of life are more responsive to the social environment and access to medical services. In fact, some portion of the sharp drop in infant mortality that began in the late 1960s may have been due to a concurrent fall in the incidence of low birthweight infants and a decline in their mortality. This was a period of great technological progress in the treatment of low birthweight infants that both increased survival rates and reduced severe disability among survivors (Collins 1989).

The correlation of low birthweight with poverty and other indicators of socioeconomic hardship, such as low education and out-of-wedlock childbearing, is positive (Klerman and Parker 1990). O'Regan and Wiseman (1986) examined all births in Oakland, California, from 1979 through 1981. They found that 12.2 percent of all births to women living in poor census tracts (small geographic areas containing between 2,500 and 8,000 people) involved low birthweight infants, while the rate was only 7.7 percent elsewhere in Oakland.

The Consequences of Poverty for the Health and Development of Children

Parker et al. (1988) label "double jeopardy" the process by which poor children suffer a higher incidence of adverse behavioural and developmental outcomes. First, poor children are more likely to be exposed to risk factors which are positively correlated with adverse outcomes, and, second, the effects of these risks on poor children tend to be greater than they are on nonpoor children. Parker et al. conclude (page 3) that "the most pertinent of these (risk factors) include increased stress, diminished social support and maternal depression." These risk factors are a consequence of poverty for the parents and a cause of developmental problems for the child.

Stress. One feature of a life of poverty is the more frequent occurrence of stressful events and chronic family stress. Major "stressors" include housing problems, financial difficulties and the death of a relative or friend. According to Parker et al. (1988), stress is particularly high among poor women with young children.

In addition to exposing the individual to more acute and chronic stressors, poverty tends to erode the individual's ability to handle new problems. As a result, these problems tend to have a greater debilitating effect. The poor are therefore more likely than are the economically advantaged to suffer mental health problems after experiencing negative life events (McLoyd 1989).

Children from highly stressed environments are at an increased risk of

developmental and behavioural problems, including poor performance on developmental tests at 8 months of age, lower intelligence quotient scores, impaired language development at 4 years of age, poorer emotional adjustment and increased school problems (Bee et al. 1986). Increased stress interferes with a mother's ability to respond appropriately to her infant. This can lead to impaired bonding relationships, which increase the risk of subsequent emotional and behavioural problems (Grossman 1979).

Inadequate Social Support. Like stress, lack of social support can be both a consequence of poverty for the parent and a cause of developmental problems for the child. Poor homes are typically associated with inadequate social support networks and social isolation (Cochrane and Brassard 1979). Some families move often and may have no community attachments. A lack of economic resources restricts a family's activities and increases its isolation from the larger society.

Social support has both indirect and direct effects on children. Stressed parents with access to emotional support and friendships, material assistance and help with child care tend to parent better and provide a better environment for their children. They get positive role models and external monitoring of their childrearing practices from helpers, thereby improving parental functioning. A good social network for the parent gives the infant or young child contact with a world outside her/his playmates and caretaker. A well-supported and connected household provides the child with cognitive and social stimulation and more emotional support.

Maternal Depression and Mental-Emotional Illness. A strong association exists between maternal depression and socioeconomic status. Maternal depression has been linked to adverse outcomes for children, such as lower birthweights, more accidents, failure to thrive, more surgical procedures, sleep problems, childhood depression, attention deficit disorder, socially isolating behaviours at school age, and withdrawn and defiant behaviours at adolescence (Parker et al. 1988).

McLoyd (1989) has shown that poor adults have more mental health problems than do economically advantaged adults. The source of this elevated mental illness among the poor is "an overrepresentation in lowerclass life of a broad range of frustration-producing life events and chronic conditions outside personal control." In addition to the on-going stressors of poverty such as poor housing and dangerous neighborhoods, the poor face a string of negative life events (e.g. eviction, criminal victimization, physical illness). Together, these factors make everyday existence a difficult task, leaving the poor consistently at risk of life crises. Such chronic stress is

a major contributor to depression among poor adults that, in turn, threatens both the acquisition and the application of parenting skills.

The younger the mother at the birth of her first child and the greater the number of children in the household (two features of a household starting with an adolescent head), the greater the risk of maternal depression. Poor social support and the stress of child care and homemaking are obvious contributors to maternal depression.

A lack of resources reduces the quality of a child's environment and increases the probability that her/his parent(s) will experience stress, inadequate social support, or depression. As a result, the child's health, cognitive development and academic achievement may be adversely affected.

Health Concerns. The effect of poverty on health is significant and has been linked to numerous specific health problems. Poverty raises the probability of poor health in children in two ways. First, it elevates the risk of poor health by increasing the likelihood that illness will occur and that illness will be more severe. These increases may be due to a rise in the duration or intensity of exposure to risk factors, or to a reduction of the protective measures which prevent exposure from causing harm. Second, poverty reduces the access of poor children to services which can lessen the occurrence or limit the severity of illness (Wise and Meyers 1988).

Indeed, poor children do experience more illness than do nonpoor children. According to Wise and Myers (1988: page 1,175):

"Children of poor families experience more time lost from school and more days of restricted activity due to illness than do those of the nonpoor. The inadequacy of their diet has produced significantly elevated rates of iron deficiency anaemia and failure to thrive among poor children. Inadequate housing conditions also can affect morbidity, as lead poisoning is heavily concentrated in poor children. Poverty's influence on childhood morbidity also can be conveyed by the reduced utilization of effective clinical interventions."

Poor children also have higher rates of mortality from all causes and are at higher risk than are nonpoor children from congenital anomalies, accidents and violence. The National Centre for Children in Poverty (1990) reports that poor children are more than twice as likely as are the nonpoor to die in an auto accident and five times as likely to die in a fire. These problems result, in part, from life in dangerous housing and neighborhoods and from less-than-adequate supervision. Poor children are also more likely than are nonpoor children to be limited in major life activities due to illness or disabilities (Rosenbaum 1989).

There are also three relatively new social phenomena adversely affecting

poor children. The first is the AIDS epidemic. The number of AIDS-related deaths among children is not now large; AIDS is the ninth leading cause of death among children aged 1-4 (Klerman and Parker 1990). However, the potential for many more afflicted children is great. As more children are born to infected women, many too sick to care for their children, the already strained child welfare system will be faced with the increasingly difficult task of providing specialized care.

Second is the rising numbers of homeless children. These children are the poorest of the poor. They have nutritional problems and very limited access to medical and other social services, in addition to the risks they face by living in shelters or on the street.

The third problem, of larger magnitude, is the proliferation in the use of "crack" and other drugs. It is estimated that 375,000 children are born annually who have been exposed to addicting drugs before birth. Prenatal drug exposure often results in brain damage, withdrawal symptoms at birth, prematurity, and learning disabilities which are often not evident until the child is between 2 and 5 years old. Clearly, the needs of these children will have an impact on the service delivery of the education, mental health, juvenile justice and child welfare systems.

Cognitive Development. Problems in early development can be attributed to poor perinatal experiences (problems of prematurity) and even prenatal difficulties (Parker et al. 1988). The effect of poverty on the development of children can also be exerted through the condition and actions of parents. Economic hardship can result in parental emotional detachment from children and, in general, a less supportive and less nurturant parent-child relationship. The resulting socioemotional problems in children include depression, poor peer relations, low self-confidence, conduct disorders and psychological disorders (McLoyd 1989).

Some deficiencies in cognitive functioning have been described among school-aged children born to adolescent mothers. These mothers tend to pay less attention to developmental needs, as well as to caregiving tasks. The parents tend to raise adolescents who are less able to express themselves and show positive affection. This "age-of-mother effect" may actually be a result of poverty. When some measure of the mother's socioeconomic status is included, the age of mothers tends to have no relationship to developmental outcomes for children (Newberger et al. 1986).

Maternal age is less important to the intelligence quotient (IQ) of children than is maternal education (Belmont et al. 1981). Being raised in a single-parent family does have a very small negative effect on IQ scores (with

socioeconomic status held constant). Similar results have been found for other cognitive achievement tests (Garfinkel and McLanahan 1986).

School Achievement. Reduced school achievement is a major consequence of child poverty. Poor children are more likely than are nonpoor children to have low grades, poor attendance and negative attitudes toward school and to exhibit higher dropout rates.

According to Wolfe (1990):

"Children in poor families are three times more likely to drop out of high school than are children in more prosperous families. Each year a child lives in poverty reduces his or her probability of graduation by nearly 1 percent."

The effect of child poverty on school outcomes also works through its relationship to family structure. Children in single-parent families complete about one year less schooling than do those from two-parent families (Garfinkel and McLanahan 1986). With socioeconomic status controlled, Astone and McLanahan (1989) found that children in single-parent families are less likely to have their school work monitored and are supervised less than are children in two-parent families. They concluded that these differences in parental practices had an independent effect on children's school performance.

Astone and McLanahan (1989) also offer evidence that both family income and family structure affect the probability that a child will graduate from high school or receive an equivalent degree. In fact, the difference between the high-school-degree probability for students from the lowest quartile and that for students from the third family-income quartile is about one-half the magnitude of the difference between the degree probability for students from single-parent families and that for students from two-parent families. This suggests that policies to raise family income can improve the educational prospects of the next generation. The impact would be even greater if policies could be implemented that would reduce teenage pregnancies and unwanted births and thus reduce the percentage of children growing up in single-parent families.

Growing up in certain geographic areas can also have consequences on the attainment of children, even if the parents are not poor and even if the children live in two-parent families. In illustrating the impact of growing up in a poverty neighborhood, Jencks and Mayer (1989) present three different explanations of the way the economic character of a child's neighborhood can affect school achievement (e.g. high school graduation). First is the institutional effect, which holds that, as the economic fortunes of a neighborhood increase, the quality of its public institutions, including

public schools, also rise.

The second explanation is the contagion effect. Working- and middle-class neighborhoods with high labour force participation rates and many two-parent families abound with positive role models for their children. These are ostensibly people for whom education has paid off, giving the children appropriate aspirations. In contrast, in poor neighborhoods where participation in the legitimate labour market is low and welfare dependency and the incidence of female-headship of families are high, children come to believe that education does not improve their prospects.

The third Jencks and Mayer model is the social control effect, which argues that stable, economically vital and well-organized communities exert social control over local schools by requiring high quality education for their children. In contrast to those in poor communities, the schools in better-off neighborhoods benefit from a high level of parental participation.

Children of women who have started childbearing in adolescence or before marriage tend to have reduced school achievement outcomes because a teenage or unwed mother is more likely to drop out of high school before graduation. Sewell and Shaw (1988) found that parents who have more education value education more and communicate that value to their children. These parents read to their children more, have more books in the house and involve their children in more activities (Bradley and Caldwell 1986, Wachs and Gruen 1982).

Summary. The high poverty rate and the trends in family structure pose a great risk to the well-being of children today and the productivity of the next generation. Being born to a single mother and living in a household headed by an unmarried woman are associated with lower income, higher poverty rates and longer spells of poverty. Many poor children live in families with parents who have relatively low education levels, high stress and fewer social supports. The children in these families tend to have poorer health, less cognitive and educational attainment, more teenage pregnancies and fewer prospects for their own mobility and economic advancement.

VI. FIGHTING POVERTY IN THE 1990s

The Goals of an Antipoverty Agenda

For most white children, poverty lasts only a few years. On the other hand, many minority children spend their entire childhood in poverty; they live in segregated neighborhoods, isolated from mainstream institutions, are

raised in families which lack the income necessary to provide them with sufficient nutrition and health care and attend urban public schools which offer few opportunities to learn and escape from poverty.

A comprehensive antipoverty effort must be launched that addresses many of these aspects of the poverty problem. A strategy which directly attacks poverty by raising current incomes would represent a viable approach. It would include both income supplements for poor working families with children and welfare reforms for the nonworking poor. It would also include direct measures which would attempt to offset some of the negative consequences of poverty on children by increasing their access to health care, nutrition and educational services.

Sawhill (1988) has argued that any antipoverty agenda for the 1990s should be built on the assumption that, first, parents must take greater responsibility for their children through increased work by women heading single-parent families and increased child support by absent fathers and, second, the public sector must offer more opportunities in employment and education so that the poor, of whom greater responsibility will be demanded, will have the means to transform their efforts into higher incomes.

Why should income distribution in general and poverty in particular be concerns? Shouldn't higher productivity and drawing the most from society's scarce resources be more important? Shouldn't the pursuit of efficiency be the primary goal? The answer is "yes, but..." If the initial endowments of individuals could operate in a market free of imperfections such as discrimination, then the answer would be much more emphatically "yes" because, given an initial distribution of income and an environment of pure competition, the market would produce the most efficient allocation of scarce resources, and the goods to be produced and the resulting prices would determine an efficient postmarket distribution of income. However, if the initial distribution of endowments is unfair, then the distribution of income that results from the market may have to be changed, even if it has resulted from a purely competitive market process.

The War on Poverty was based on the belief that both the initial endowments brought to the market by the poor and the disadvantaged and the way those endowments were compensated were affected adversely by market imperfections. If this underlying premise of the War on Poverty is still relevant 25 years later, then a basis remains for public policies which seek to raise both the current incomes of poor families and the endowments their chidlren will bring to the market in the coming decades.

A simple call for expanded government spending to aid the poor does not

identify the amount of increased aid that will be needed to promote equity without impairing efficiency. Indeed, Slemrod (1983) and Atkinson (1983) each review the literature on the optimal income tax and reach no definitive conclusions. The answer depends on, first, how various degrees of inequality are valued, that is, on the social welfare function; second, how responsive taxpayers are to marginal tax rates, and, third, the distribution of endowments which generate the pretax (market) distribution of income. In general, Slemrod and Atkinson offer little more than the boundaries of the tradeoffs: guidelines which argue against excessively high marginal tax rates but do not specify the level at which efficiency losses become large.

Blinder (1982) is much less technical but much more eloquent. He concludes (page 30):

"What this country needs now in the realm of income distribution policy is exactly what it needs, and has often been unable to get, in so many other problem areas: An economic policy with a hard head and a soft heart. A hard head to remind us of the wondrous efficiency of the marketplace, and how foolish it is to squander this efficiency without good reason. And a soft heart to remind us that championing the cause of society's underdogs has long been and remains one of the noblest functions of government."

The evidence reviewed suggests that a reduction in child poverty now will raise health, educational attainment and productivity in the next generation as well. In this regard, income supplements, welfare reform and direct service policies can all be viewed as productivity policies. Consider, for example, a 45-year-old with a high school diploma who works full-time, full-year at a wage which is too low to raise his/her family above the poverty line. Income supplements for the head-of-household and the provision of access to medical care and early education for the children may increase their educational attainment even if no policy is offered to raise the earnings of the family head directly.

According to Murnane (1988: page 229):

"It is important to keep in mind that the roots of the low achievement of many American children lie in the circumstances of poverty in which they live. Consequently, educational policy changes not accompanied by policies that significantly reduce the poverty that dominates many children's lives will have only modest influences on their academic achievements."

In other words, direct service strategies seek to raise the health and attainment and, hence, productivity of the young directly, while income supplements and welfare reforms, by alleviating the current hardships of families, make it easier for the children to remain in school and gain more from education and training programmes. Some evidence exists that the negative

income tax experiments which provided selected families in the 1970s with income supplements exceeding those available from existing welfare programmes had just such results.

Hanushek (1987) has reviewed the literature on the negative income tax and concluded (pages 112-113) that the schooling

"effects appear quite large and significant. For example, Mallar (1976) estimates that the probability of completing high school for families on a 'middle' negative income tax-plan to be 25 to 30 percent higher.... Venti and Wise (1984) find an 11 percent increase for youth in the Seattle-Denver experiments."

Income Supplement

Realistic income supplement measures would involve the expansion of two provisions in the Federal personal income tax (the Earned Income Tax Credit and the Dependent Care Credit), reductions in the taxation of the poor by state governments, further reforms of the child support system and increases in the minimum wage. These policies would build on the Tax Reform Act of 1986, which eliminated the personal income tax liability for most poor families with children, and the Family Support Act of 1988, which made important changes in the child support system.

The Earned Income Tax Credit (EITC) is a refundable tax credit targeted on low-income families with children. In 1990, the credit is 14 percent for each dollar of earned income up to $6,807, where it reaches its maximum value of $953. The credit remains at $953 until earnings reach $10,734, after which it is reduced by 10 percent of additional earnings. It is phased out for earnings at or above $20,264. Between 1986 and 1990, according to Congressional estimates (U.S. House of Representatives 1990a), the provisions of the Tax Reform Act have increased the number of families receiving the credit each year from about 6.3 million to 10.3 million and the amount of the credit from $2.0 billion to $5.9 billion per year.

Under current law, the EITC provides a constant amount per family, although the poverty line increases with the number of children. In 1990, the House of Representatives has considered an expansion of the EITC that would make it, like the poverty line, an increasing function of family size. The EITC would rise from its current rate of 14 percent to 17 percent for eligible families with one child, 21 percent for those with two children and 25 percent for those with three or more children. Moreover, a further credit equal to 6 percent of earnings would be provided to families with a child under 6 years of age. Such an expansion would provide an additional $3 billion per year to

the poor.

President Bush (U.S. Council of Economic Advisors 1990) has proposed a refundable credit for families with children under the age of 4 that he has labelled "child care assistance", but which is essentially a supplemental earned income tax credit. For families with several children under the age of 4, this plan is similar to an EITC which provides greater subsidies to larger families. The Bush proposal would allow a family using child care expenses which are reimbursable under the new child care assistance credit to receive both the current EITC and the new credit, or the EITC and the Dependent Care Credit. The Bush plan would apply only to families with children under the age of 4 because of budgetary constraints.

The Dependent Care Credit (DCC) should be expanded and made refundable. It now allows working single parents and couples to partially offset work-related child care costs. The credit begins at 30 percent of expenses for families with incomes below $10,000 and falls to 20 percent for those with incomes above $50,000. Because the credit is nonrefundable and because the Tax Reform Act of 1986 eliminated the income tax liability of many of the poor, only a very small percentage of the approximately $4 billion per year in tax relief that it provides is received by poor and low-income families. On the other hand, higher income taxpayers receive credits of up to $960.

The Bush proposal, revised to benefit all families with children (rather than only those with children under 4) so that its antipoverty impact is increased, could be combined with a proposal such as the Expanded Child Care Opportunities Act of 1989 (ECCO), sponsored by Senators Packwood and Moynihan. ECCO increases the DCC by raising the maximum subsidy rate - the percentage of child care expenses that can be credited - and by making the credit refundable. The maximum DCC would rise to $960 for a family with one child and $1920 for a family with two or more children. ECCO is estimated to cost more than $2 billion per year.

These expansions of the EITC and DCC would provide more aid for working poor and low-income families. The additional budgetary costs could be recouped by phasing out the DCC for higher-income taxpayers and raising the marginal tax rate in the personal income tax for the highest income taxpayers from 28 to 33 percent.

While Federal taxation of the poor has been reduced in the last few years, most states continue to tax the poor. For example, according to Gold (1987), a family of four at the poverty line is exempt from taxation in only 10 of the 40 states with a broad-based personal income tax. Chernick and Reschovsky (1989) show that the poor pay a substantial amount of other state

and local taxes in New York and Massachusetts, two of the 10 states in which the poor have no state income tax liability. State tax relief for the poor remains an important priority.

Additional income supplement measures are necessary because the poverty rate among mother-only families is so high and because poor female-headed families have incomes which fall further below the poverty line than do those of poor male-headed families. The Wisconsin Child Support Assurance System (Garfinkel 1988) and the system proposed by Lerman (1988) would target all children in single-parent families and would reduce both their poverty and their welfare dependency through increased parental support. Uniform child support awards would be financed by a percentage-of-income tax on the absent parent. If this amount is less than a fixed minimum level because the absent parent's income is too low, the support payment would be supplemented up to the minimum by Government funds. Because of the increased payments from absent fathers and because the system has greater work incentives for custodial mothers than does welfare, Garfinkel estimates that such a system could be implemented with few additional Government funds.

These measures would target the working poor with children and would reduce poverty for those whose incomes are already close to the poverty line, but more attention also needs to be focused on raising the wages of those whose earned income remains low.

The ratio of the minimum wage to the average wage is much lower in the U.S. than it is in other industrialized countries which have legislated minima, or than the ratio of customary entry level wage to average wage in those industrialized countries which do not. The U.S. minimum wage is not indexed to inflation; rather, it is dependent on periodic legislative adjustments. From 1950 to 1980, Congress typically increased the minimum wage at least every five years. However, the minimum wage was not changed at all during the Reagan Administration. It remained at its 1981 level of $3.35 until it was increased to $3.80 in 1990 and $4.25 in 1991. As a result, in 1990, a worker receiving the minimum wage for full-time, full-year work (2,000 hours) will earn only about 38 percent of the average earnings of a typical worker covered by the social security system (U.S. House of Representatives 1990b: page 1,101). To restore the minimum wage to its historic level - above 50 percent of this average earnings level - would require an increase to about $5.00 per hour in 1991. Hendrickson and Sawhill (1989) have concluded that a rise in the minimum wage plus an increase in tax credits would be the best way to aid the working poor.

Welfare Reform

More attention must also be focused on measures to bring the nonworking poor into the labour market. In the mid-1980s, many state-level experiments with incremental work-welfare programmes were introduced with this goal. Model programmes include Employment and Training Choices (ET) in Massachusetts, Greater Avenues for Independence (GAIN) in California, Realizing Economic Achievement (REACH) in New Jersey and the Family Independence Programme (FIP) in Washington state. All provide increased training, employment and social services to long-term nonworking welfare recipients. In September 1988, Congress passed the Family Support Act, which builds on the experiences of these and other states. This bill embodies the new consensus in that it redirects welfare policy for the nonworking poor. It neither sets a national minimum welfare benefit, nor raises benefits; rather, it requires all states to offer a wide array of education, training and work programmes and to provide welfare benefits for unemployed two-parent families for at least six months per year. It adds a requirement that at least one of the parents engage in community service in return for benefits. Under prior law, states did not have to provide cash assistance to poor two-parent families with children. As a result, in about one-half of the states, such families often received no income supplements.

The Act and the state programmes now in operation target long-term welfare recipients of working age who have no disabilities, but who are not working. The implicit goal of these programmes is to turn a welfare check into a paycheck, even if, at first, the total amount of the check is unchanged. Once recipients are working, it is hoped that they will be able to leave welfare through a combination of increased child support and access to transitional child care, health care, and employment and training services, as well as to the types of income supplements discussed here.

To hold down total costs, some work-welfare programmes merely replace welfare benefits with an equivalent amount of earnings. Typically, they set the monthly hours to be worked by dividing the welfare benefit by the minimum wage. If these programmes were expanded so that recipients could work full-time and the number of programme participates could be increased, they would enhance the possibility for recipients to escape not only poverty, but also welfare dependency. Such changes could increase budgetary costs by about $10 billion per year.

Direct Services

Experimentation and the evaluation of numerous direct services over the past two decades have shown that these services can aid poor children and offset some of the disadvantages of growing up in poverty. Antipoverty efforts in direct service areas could be effectively expanded.

Pregnancy Prevention. Given the importance of teenage and out-of-wedlock childbearing as a cause and consequence of child poverty, a number of promising interventions have been tested. School-based clinics which provide comprehensive health care, including family planning, services, counselling and health education, have reached a large portion of the student bodies in schools in several demonstration projects. Some programmes provide contraceptive services, while others refer students to off-site birth control clinics (Dryfoos 1985).

The first such programme in the U.S. was the St. Paul (Minnesota) Maternal and Infant Care Project (MIC), which opened a school clinic in 1973. The clinic offered prenatal and postpartum care, venereal disease testing and treatment, gynaecological examinations, contraceptive counselling, general physical examinations, immunizations and a weight control programme. The school dropout rate for pregnant teenagers plummeted from 45 percent to 10 percent over a three-year period, and the overall fertility rate for the school fell from 79 per 1,000 to 35 per 1,000. Patients who received their obstetric care in the school clinic experienced lower incidences of obstetric problems, as well as better outcomes for their infants (Edwards et al. 1980).

The Baltimore (Maryland) school system set up an experimental pregnancy prevention programme for junior and senior high school students. During the programme's existence, the pregnancy rates in programme schools declined 30 percent, while it increased 58 percent in control schools. The programme provided medical and counselling services and attempted to raise the level of awareness of students about the consequences of careless sexual activity.

Aside from the reduction in fertility rates, the programme showed other positive results. Students demonstrated increased knowledge of contraception and other sexual issues. There were slight changes in the average age at the onset of sexual activity (enough to refute the thesis that the easy availability of contraceptive services will encourage sexual activity); after initiating sexual activity, students sought advice sooner than they had prior to the clinic's presence, and a higher percentage of students went to the clinic prior to the onset of sexual relationships (Zabin et al. 1986).

Unfortunately, the obstacles to the widespread provision of comprehensive adolescent medical services in school settings are severe. Inadequate financial support, insufficient health and social welfare infrastructures and negative public and political attitudes are problems (Weatherly et al. 1987). Clearly a greater level of support for such interventions is in order.

Prenatal Care. Many pregnant women, especially those who are young and poor, receive inadequate prenatal care either in terms of quality, or in terms of the number of visits. Financial constraints, particularly lack of private health insurance or Medicaid coverage, are barriers to adequate prenatal care. There are also shortages in some areas of medical care providers willing to serve the disadvantaged or high-risk populations and of the neighborhood services traditionally used by the poor (Institute of Medicine 1985).

Early and frequent prenatal medical visits can greatly enhance the chances that a newborn will be healthy. Women who do not receive adequate prenatal care are more likely to bear children of low birthweight, raising the risk of such conditions as cerebral palsy, retardation, autism and vision and learning disabilities (Hughes et al. 1989). The Children's Defence Fund (Hughes et al.) estimates that each dollar spent on providing prenatal care to pregnant women saves up to nine dollars over the lifetime of the children involved, three dollars in the first year alone. Thus, while it would be costly to extend Medicaid benefits to all children and pregnant women who are living on incomes below twice the poverty line (an increase of $1.5 billion), the savings in future Medicaid funds would be substantial.

Child Health. Enacted in 1965, Medicaid is a joint Federal-state public health insurance programme which reimburses health care professionals for services provided to eligible poor families and their children. Eligibility is determined by both state and Federal regulations.

Medicaid has clearly had a positive effect on child health. In the pre-Medicaid 1960s, poor children had a lower frequency of hospitalization than did nonpoor children, but their average length of stay was longer, suggesting that they were more in need of care. After Medicaid was instituted, the hospitalization rates for poor children became similar to that of nonpoor children (Starfield 1985). Doctor visits are another indicator of the effect of Medicaid. Before 1965, a much higher proportion of poor children, compared to the nonpoor, had not seen a doctor at all in the prior two years. After Medicaid, poor and nonpoor rates for doctor visits became similar.

However, various factors have mitigated the effect Medicaid has had on children's health. Medicaid eligibility and services vary widely from state

to state. From 1965 to the early 1980s, states had the option of covering children in poor two-parent families, but about one-half chose not to do so. In 1984, such coverage was Federally mandated for all poor children under 5 years of age. Starting in 1967, states also had the option to extend benefits to first-time pregnant women ineligible for Aid to Families with Dependent Children (AFDC). Eighteen states had still not done so by 1986, when this coverage was mandated. States are also allowed to cover the "medically needy" who have incomes just above the AFDC-eligibility level; fifteen states do not provide this coverage. In 1988, all states became required to provide coverage for pregnant women and infants under age 1 with incomes below the poverty line, regardless of state AFDC-eligibility rules.

Finally, AFDC-eligibility levels, which are a primary determinant of the Medicaid rolls, have fallen dramatically in the past 15 years, so that a smaller percentage of all poor families are now covered. Smythe (1988) reports that the number of children served by Medicaid dropped by 200,000 between 1978 and 1986, even though the number of poor children increased by about three million during those years. As a result, 25-to-40 percent of poor families were without any health insurance, as opposed to 12-to-14 percent at the beginning of the period. Among all children living in families below the poverty line, more than 50 percent are covered by Medicaid, but 30 percent are uninsured (Wolfe 1989). Extensions and improvements in Medicaid coverage and services are clearly in order. It would cost about $3.6 billion per year in additional funds to cover all poor children (based on data in U.S. House of Representatives 1990a).

Diagnostic Screening. Enacted in 1967, the Early and Periodic Screening, Testing and Diagnostic Programme (EPSDT) requires states to screen and diagnose individuals under the age of 21 who are eligible for Medicaid in order to determine their physical or mental defects and provide appropriate services. Screening refers to the identification of individuals who may need further evaluation to determine if they are at risk. Diagnosis is provided for those individuals who are suspected of having a problem or disability, and treatment is administered to individuals whose diagnostic tests confirm the presence of a condition.

The coverage problems of EPSDT are much the same as those of Medicaid. In 1976, only 15 percent of the eligible children were served; there was also great variation among states, ranging from 1 percent to 80 percent coverage of all eligible children (Meisels 1984).

Child Nutrition. The Women, Infant and Children programme (WIC) provides food supplements to the poor in the form of food packets and

vouchers. It also offers nutrition education and counselling in conjunction with health care to pregnant and breastfeeding mothers and to children up to age 5 in low-income families who are determined to be at special nutritional risk. The WIC programme was designed to be both preventive and therapeutic and to help reduce the number of low birthweight and unhealthy infants and young children.

Research on the effectiveness of the programme has found that the birthweights of children born to WIC recipients are 30 to 50 grams higher than are those of children born to nonparticipating mothers. WIC mothers are also somewhat less likely to give birth to infants weighing less than 2.5 kilograms, and teenage mothers who receive WIC are less likely to bear low birthweight infants (Chelimsky 1984). The Children's Defence Fund reports that every dollar spent on WIC's preventive component decreases short-term hospital costs by three dollars. Despite this and the effectiveness of the programme in increasing birthweights and decreasing fetal deaths, WIC has never reached even one-half of the eligible women and children. In 1986, WIC served only 40 percent of the eligible population (those with incomes up to 185 percent of the poverty line), while, in 11 states, less than one-third of eligible women and children received WIC (Children's Defence Fund 1989).

The gaps in WIC coverage are attributed to an absence in some areas of the health resources needed to fulfil legislative requirements and to the fact that the programme has been historically underfunded. It would cost about $2 billion more per year to serve all eligible people; this would cover an additional four million women, infants and children (estimated on the basis of data in U.S. House of Representatives 1990a).

Preschool Education. Two major Federal programmes have been designed to reduce poverty's negative impact on school achievement by improving the school-readiness and cognitive functioning of poor children: Chapter 1 of the Education Consolidation and Improvement Act of 1981 (ECIA) and Head Start.

Chapter 1 provides compensatory education funds for disadvantaged children who live in areas with high poverty rates; it is the largest Federal elementary and secondary education programme. Chapter 1 preschool programmes seek to reduce the potential for later school failure by providing educational services at preschool levels.

The evaluation research undertaken in the National Assessment of Chapter 1 (1983-1987) analysed short-term and long-term effects. In the one-year study, students who received Chapter 1 services showed substantial increases in standardized test scores relative to a control group. However, these gains did not appreciably narrow the gap between the Chapter 1 students and more

advantaged students. Furthermore, students who had discontinued the Chapter 1 services tended to lose the gains they had made as recipients.

Head Start is a Federally-funded early intervention programme which is designed to reduce the risk of later school failure by providing comprehensive education, health care, nutrition and social services to poor 3-to-5-year-old children and their families. The education services are generally centre-based; students attend preschool classes at a Head Start facility on either a full-day, or half-day schedule five days per week. In some cases, Head Start services can be provided in the home. Health services include dental, nutrition and mental health screenings provided either at the Head Start centres, or coordinated by them. Children must receive a complete health screening within 90 days of enrolment, and follow-up for all identified problems is required. Dental screenings are also required for all enrolled children. Centre-based programmes are required to serve meals and snacks to preschool Head Start children.

Head Start centres offer or coordinate social services designed to make parents more aware of available community services and resources so as to improve the quality of life of families. Head Start programmes are required to support appropriate child development and educational achievement through active parent participation.

In 1981, the Head Start Evaluation, Synthesis and Utilization Project found that, although the programme has an immediate positive effect on children's cognitive development, these gains tend to disappear within two years of the end of programme involvement. Nonetheless, former Head Start students appear to be less likely than nonparticipants to drop out of school or to be assigned to special education classes (McKey et al. 1985). This suggests that the programme is useful, but that public schools are unable to provide programming which can sustain the gains it achieves.

The longitudinal study of the Perry Preschool Programme in Ypsilanti (Michigan) by the High Scope Educational Research Foundation offers a much more positive picture. This project has followed Perry students and evaluated their progress up to age 19. Perry students are 50 percent less likely to have been held back a year by the time they are fifth graders than are nonparticipants (Palmer and Anderson 1979). Participants are also less likely to be placed in special education and have higher overall reading and math achievement levels, higher high school graduation rates, higher rates of employment in adolescence, lower pregnancy and birth rates and lower arrest rates (Berrueta-Clement et al. 1986). Part of the reason for this positive picture may lie in the fact that, while it is a comprehensive early childhood

programme, the Perry project is not technically a Head Start programme and its level of funding is more than twice that of Federally-backed Head Start programmes. Perry spent about $4,963 ($6,287 in 1989 dollars) per student per year in 1981, wheras the estimated average cost per child per year in Head Start has been $2,664. The Perry School programme has also been more selective about who is enrolled.

As with other direct service programmes, Head Start does not reach enough of the eligible population. In 1986, 2.5 million children were eligible, yet only 451,000 (18 percent) were served (Bridgman 1985). Expansion in the number of children served and in the services provided should be a high priority. In addition, Head Start programmes should offer full-day programmes. This would not only benefit the children, but also help working mothers. To expand Head Start services so that all eligible children are served could cost as much as $5 billion more per year (estimated on the basis of data in U.S. House of Representatives 1990a).

Summary

The experience of the 25 years since the declaration of the War on Poverty has shown that no single programme or policy can aid all the poor. Model programmes have not been proposed in this paper to address some of the most serious aspects of the poverty problem, let alone to achieve solutions on a nationwide basis. Nonetheless, while the way to eliminate all the causes of poverty is not clear, most of the consequences of poverty can be alleviated.

All the various programme expansions proposed in this paper would be expensive. They could easily cost $30 billion per year. Yet, to avoid spending now is merely to raise the future costs associated with poverty. These proposals could be financed in part through higher taxes on the nonpoor. Tax policy has recently shifted in this direction, for example, by expanding the Federal income tax base and by eliminating some of the special provisions which disproportionately aided the nonneedy. These latter included the repeal of the double personal exemption for the elderly, the taxation of one-half of social security benefits (employer share) for taxpayers with higher incomes, and the eventual elimination of the income tax deduction for interest payments on consumer purchases. A further move would be to tax employer-provided health insurance and the implicit subsidy in Medicare and to raise the proportion of social security benefits that is subject to taxation. High-income taxpayers currently pay income tax on 50 percent of their social security benefits;

this share would rise to about 85 percent if the benefits were taxed in the same fashion as private pensions.

While Congress has shown little inclination to alter these tax expenditures, they could be modified. For example, according to Congressional estimates, the deductibility of employer contributions for medical insurance premiums will reduce revenues by about $33 billion in 1990 (U.S. House of Representatives 1990a: page 807). A modest reduction in this tax expenditure could raise about $10 billion per year. In addition, marginal tax rates fell so much in the 1980s that there would be little efficiency loss in raising them somewhat, particularly on the wealthy, who gained the most during the uneven economic recovery of the 1980s.

The poor have benefited relatively little from this economic recovery because of changes in the structure of the economy that have adversely affected their incomes and because of inattention to their plight. The Reagan era's "benign" or "not-so-benign" neglect seems to be a thing of the past. Adoption of the policies proposed here could reduce the child poverty rate by one-half by the year 2000. Maintenance of the status quo will subject another generation of children to lives of hardship and unrealized potential.

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